

Submission to IPART on Water NSW's Draft Operating Licence 2017-2022

April 2017

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1 Overview

Sydney Water welcomes the opportunity to comment on the package of reports released by IPART relating to the draft *Water NSW Operating Licence 2017—2022* (the draft Operating Licence).

Overall, Sydney Water supports IPART's aims for the licence review of:

- imposing a minimum regulatory burden on Water NSW – removing unnecessary requirements reduces the costs of activities that provide little or no value for the community
- implementing a systems-based approach to licensing – this allows utilities greater flexibility, while ensuring customer protections remain
- creating greater consistency between licensing approaches for major water utilities – however, this should not be applied without considering the context and function of each utility, or where change would result in improved licence conditions or better outcomes.

Generally, the draft Operating Licence seems to achieve a reasonable balance of regulatory certainty, transparency and accountability, and allows Water NSW flexibility in the delivery of its services.

We have commented on IPART's proposals by exception, where relevant to Sydney Water. In most cases, our positions relate to Water NSW's functions and activities within the Sydney Declared Catchment Area only.

The draft Operating Licence contains three key issues for Sydney Water:

1. We support the retention of catchment management and water quality requirements

We are pleased that current requirements for catchment management and water quality in the Sydney Declared Catchment Area have been retained. It is important that the 'catchment to tap' preventive risk management approach to water quality is maintained.

2. We do not support the proposed performance standards for water supplied to Sydney Water by Water NSW

We do not support the proposed standards for water supplied to Sydney Water, even as minimum standards. Performance standards for water supplied to Sydney Water are adequately covered by the Raw Water Supply Agreement, as required under section 25 of the *Water NSW Act 2014* (the Water NSW Act). If a standard must be included in the licence for water supplied to Sydney Water, systems based standards are sufficient and preferable.

Our general preference is that any standards or arrangements relating to the supply of water to Sydney Water should be negotiated between us and Water NSW, and, where needed, addressed under the RWSA.

3. We do not support authorisation of Water NSW to work on or replace meters with the approval of the owner, for meters used to supply Sydney Water

Our position on this issue has changed since the Issues Paper. Previously, we supported this proposal, subject to Water NSW obtaining the owner's agreement. However, this may not be appropriate for all meters used to supply water to Sydney Water.

More detailed comments on these issues are provided in the rest of this submission.

This submission also contains our views on other areas of the draft licence package that are relevant to Sydney Water, including:

- bulk water storage and transmission
- organisational systems management
- water conservation and metropolitan water planning activities
- memoranda of understanding
- stakeholder relations
- performance monitoring and reporting
- licence context and authorisations obligations.

2 Water source protection and conservation

2.1 Water Quality Management System

Recommendation 8: *The operating licence authorises Water NSW to protect and enhance the quality and quantity of water in declared catchment areas.*

Sydney Water position: *Support*

Recommendation 9: *The operating licence includes terms and conditions requiring Water NSW to maintain a WQMS, to manage the water quality within declared catchment areas.*

Sydney Water position: *Support; minor wording changes recommended*

Sydney Water supports the protection and enhancement of water in the Declared Catchment Areas. This is an essential part of the ‘catchment to tap’ preventative risk management approach to water quality established under the *Australian Drinking Water Guidelines* (ADWG).

Similarly, Sydney Water supports the requirement for Water NSW to maintain a Water Quality Management System (WQMS). IPART may wish to consider amending draft clause 2.1.1 so that:

- the WQMS applies “with respect to **the Bulk Water Supply System associated with** the Declared Catchment Areas” (emphasis added). This would more clearly include Water NSW infrastructure that plays a substantial role in the WQMS and the quality of bulk water provided to Sydney Water
- the role of NSW Health is referred to in the same way as in similar requirements in Sydney Water’s current and Hunter Water’s proposed licences. That is, that the system is consistent with the ADWG “except to the extent that NSW Health specifies otherwise”.

2.2 Catchment management

Recommendation 13: *The operating licence retains the existing Water NSW (SCA) operating licence catchment management and catchment infrastructure management obligations.*

Sydney Water position: *Support for the Sydney Declared Catchment Area*

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

Sydney Water position: *Support for the Sydney Declared Catchment Area*

Sydney Water notes that existing SCA Operating Licence obligations have been retained for catchment management and catchment infrastructure management. Sydney Water strongly supports these obligations being retained for the Declared Catchment Areas. These activities are an important part of the ‘catchment to tap’ preventative risk management approach to water quality established under the ADWG.

We also support the new obligation about research and the specific focus on research into the health of the Declared Catchment Areas. Research and development is an element of the 'Framework for Management of Drinking Water Quality', ADWG. Sydney Water would be interested in the outcomes of any research projects relating to the Sydney Declared Catchment Area, just as Water NSW may be interested in the outcomes of some of our research projects. This does not need to be addressed under the Operating Licence. Arrangements for sharing the results of this work could be dealt with directly between the parties as required, or via the Raw Water Supply Agreement (RWSA). The RWSA is further discussed in sections 3.1 and 4.1 of this submission.

2.3 Yield obligations

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

Sydney Water position: Support, in principle, subject to removal of requirement to review model when a recalculation of yield is triggered and ensuring requirements enable effectively targeted consultation with impacted customers and relevant stakeholders

We agree with the trigger events to require a recalculation of yield in draft clause 2.5.1. These are significant enough events to trigger a recalculation.

We support retaining a requirement for regular review of the model used to calculate yield. However, linking the review of the model to the recalculation trigger events in draft clause 2.5.1 is overly prescriptive and may lead to unintended and / or perverse outcomes. For example, a review of the model could be triggered early in the licence term due to a material change in operating rules, even though the model had recently been reviewed at the end of the last licence term. This could also potentially delay the recalculation of yield itself, if the model is required to be reviewed prior to recalculation. It is also unclear from the draft licence wording if multiple trigger events within a licence term would require multiple reviews. A generic requirement for one review during each licence term seems sufficient and reasonable. Additional reviews during the licence term should be at Water NSW's discretion.

We support a requirement for Water NSW to consult with impacted customers and relevant stakeholders on the review of the model. This should assist ongoing improvements to the model. Improvement opportunities may also be identified during yield recalculations or ongoing reviews of the MWP.

2.4 Economic level of water conservation

Recommendation 12: The operating licence includes an obligation for Water NSW to develop an Economic Level of Water Conservation methodology and associated reporting obligations.

Sydney Water position: Support, in principle; not opposed to a more generic obligation

The opportunity to implement water conservation projects may be more limited for a water supply business compared to a water distribution business. This is because there is potentially a limited scope of water conservation activities that are within the control of the water supply business. However, we support including a water conservation related obligation in Water NSW's Operating Licence, particularly with respect to the Sydney Declared Catchment Area. An obligation to develop an Economic Level of Water Conservation (ELWC) methodology could be one way to address this. Alternatively, a broader obligation, such as the existing water conservation clause within the current State Water licence, could be extended to the Sydney catchment area.

Water NSW is a key participant in the Metropolitan Water Plan (MWP) process which, among other objectives, looks at demand and supply side options to achieve a sustainable water supply for the Sydney region. Water NSW's ELWC methodology, and any resulting water conservation projects that Water NSW invests in, could be useful inputs to the MWP. It is important that the licence obligations are not prescriptive, and that any work done to meet Operating Licence requirements complements, rather than duplicates, work done for the MWP.

Both Sydney Water and Hunter Water have (or are proposed to have) ELWC licence obligations, while also having obligations to work with the Department of Primary Industries Water (DPI Water) on the relevant water plan for their areas. In our view, the proposed draft licence obligations appear to be flexible enough to allow Water NSW to determine a methodology that suits their business and reflects the specific nature of their activities.

However, we note that Water NSW indicated at the public hearing that it would prefer a more generic water conservation obligation to be extended to the Sydney catchment area, such as that in clause 3.1.4 of the current State Water licence:

Water NSW must take all reasonable steps to conserve water and minimise water losses that result from undertaking its operations under this Licence.

We would not be opposed to this approach, so long as Water NSW develops a transparent framework for considering water conservation options and assessing their costs and benefits. This should result in the same outcomes for the community.

Under either approach, Water NSW may be able to benefit or draw from work done by Sydney Water for our own ELWC obligations (noting Water NSW was on Sydney Water's ELWC interagency reference group), or from that to be done by Hunter Water – a utility that also manages water supply assets and catchments.

We do not have a view on the need for or scope of potential water conservation obligations outside of the Sydney Declared Catchment Area.

3 Bulk water storage and transmission

3.1 Water supplied

Recommendation 18: *The operating licence requires Water NSW to undertake the supply functions in accordance with a relevant water quality management system and customer supply agreement.*

Sydney Water position: Support

We note that draft clause 3.2.1 references the Raw Water Supply Agreement (RWSA), regarding water supplied to Sydney Water. It is appropriate that any water supplied to Sydney Water complies with the RWSA.

Our general preference is that arrangements between Sydney Water and Water NSW should be negotiated between the two parties, and, where needed, addressed under the RWSA. Sydney Water is keen to continue to work cooperatively with Water NSW to make ongoing improvements to the RWSA that support the efficient provision of water to our customers.

The draft licence is inconsistent in sometimes referencing the RWSA specifically and at others making generic reference to Customer Supply Agreements (which explicitly exclude the RWSA). For example, the note to draft clause 4.2.1 refers to Customer Supply Agreements but not the RWSA. We suggest that references to customer agreements, and whether these are intended to include the RWSA, are clarified in the final licence.

3.2 Dam operations during floods and spills

Recommendation 22: *The operating licence authorises Water NSW to undertake flood mitigation and management subject to receiving a written direction from the Minister and where not already required to do so under any other statute or regulatory instrument. In these instances, the operating licence should include terms and conditions to regulate how Water NSW operates its Water Management Works.*

Sydney Water: Neutral; important that downstream customers are appropriately notified

In our response to the Issues Paper, we favoured Water NSW being authorised to undertake flood mitigation and management in the Sydney catchment area, if the Government proceeded with its proposal to increase the height of Warragamba Dam for flood management purposes. In its response, the NSW Government did not think that licence authorisation was required. IPART has proposed a compromise position, including an authorisation subject to a direction by the Minister. Our previous comments were based on our view that Water NSW would be best placed to do this work.

It is important that downstream customers are made aware of any changes to the normal operation of water management works for the purposes of flood mitigation and management. In our case, this should be able to be effectively managed between Water NSW and Sydney Water (that is, we do not believe that this needs to be regulated under the Operating Licence).

4 Performance standards

4.1 Preferred approach for Sydney Water

Recommendation 26: The operating licence specifies water quality, water delivery and service interruptions performance standards in relation to water that is supplied.

Sydney Water position: Proposed standards not supported for Sydney Water

We do not support draft clause 4.2.1 applying to Sydney Water. The proposed Type 2 (performance) standards are not suitable nor practical to implement for Sydney Water. Moreover, they are not needed to provide certainty regarding level of service or to protect a baseline level of service, as may be the case for smaller customers.

Instead, appropriate performance standards regarding water supplied to Sydney Water can be negotiated through the RWSA, as currently occurs.¹ This approach is supported by Water NSW. It will reduce duplication and any potential inconsistencies between the licence and the RWSA. IPART will still have an oversight role, as any changes to the RWSA cannot occur without consultation with IPART or before IPART makes a report to the Minister on the proposed amendments (in accordance with section 27 of the Water NSW Act).

We understand that the standards in draft clause 4.2.1 are proposed only as minimum standards. However, it seems incongruous to include minimum standards for the supply of water to Sydney Water in the new operating licence when these matters are already dealt with under the RWSA, and, in some areas, are inconsistent with the current RWSA. We are also particularly concerned that including minimum standards may potentially hinder future negotiations for the RWSA and / or create an unintended disincentive to negotiate more stringent requirements that may be needed for the Sydney Water context.

Our preferences for dealing with this issue are:

1. exclude supply of water to Sydney Water from any performance standards prescribed by the Operating Licence. Instead, the licence could reference standards in the RWSA; or
2. include Type 4 (systems) standards for supply of water to Sydney Water. This provides sufficient clarity for Sydney Water on the expected level of service.

In our view, either approach would still satisfy the requirements of the Water NSW Act. Section 12(2) of the Water NSW Act does not require that the licence include specific prescribed standards for water delivery, water quality, service interruptions or other matters. Rather, section 12(2)(a)(ii) provides that the licence must include terms or conditions under which Water NSW is required to ensure that the systems and services **meet** the performance standards **specified** in the operating licence in relation to matters **set out in** the licence (emphasis added). In the case of water supplied to Sydney Water, there is no need to set out in the operating licence any standards for

¹ We note that there is a legislative requirement for the RWSA to specify the standard of quality of the water supplied and continuity of water supply under section 25(2) of the Water NSW Act.

water quality, continuity of water supply, maintenance of adequate reserves of water or costs to be paid by Sydney Water as these are dealt with in accordance with section 25(2) of the Water NSW Act. The current RWSA already manages these arrangements and prescribes certain standards.

Section 7(5) of the Water NSW Act supports the view that the setting of prescribed standards for the supply of water to Sydney Water does not need to be included in the operating licence because these arrangements are dealt with in accordance with section 25(2) of the Act. Under section 7(5), nothing in the Water NSW Act requires the authorisation of an operating licence for the exercise of a function that is conferred or imposed on Water NSW by or under another provision of the Act or by or under any other Act or law.

4.2 Comments on the proposed standards

We understand that it may be challenging to define general standards that apply to the broad range of customers that Water NSW deals with. It may be more appropriate for the licence to include different types of standards for different customer categories.

The proposed Type 2 (performance) standards raise several uncertainties and would not be practical to implement for water supplied to Sydney Water. For example:

- does “water” refer to potable water or raw (untreated) water?
- in draft clause 4.2.1(a), “relevant Bulk water quality standards” are not defined. We assume these standards are intended to be defined in the relevant customer agreement. However, the proposed metric of “>95% of the time” would be insufficient for Sydney Water and does not correlate to provisions in the current RWSA. Whether it is met would largely depend on the frequency of sampling. This is not stipulated in the draft Operating Licence or Reporting Manual, or the current RWSA.
- in draft clause 4.2.1(b), “health standards” is not defined. There are no relevant national or State health standards that apply specifically to untreated water.² Public health guidelines applying to drinking water supply would be met through Water NSW’s implementation of the ADWG through its WQMS.
- draft clause 4.2.1(d) refers to “agreed quantities”. Sydney Water does not have water orders or specify agreed quantities with Water NSW in a way that could be easily measured or audited.

Accordingly, our preferred approach is that these, or any other, type 2 standards do not apply to Sydney Water.

As a minor drafting point, we note that the use of the terms “Standard A” and “Standard B”, etc may create confusion. This could be interpreted as presenting alternative standards, which does not appear to be IPART’s intention.

² The *Australian and New Zealand Guidelines for Fresh and Marine Water Quality 2000* relate to environmental end-use and are not relevant to drinking water supply systems.

5 Organisational systems management

5.1 AMS and EMS

Recommendation 28: *The operating licence includes terms and conditions for maintenance and implementation of a certified Asset Management System (AMS) and Environmental Management System (EMS).*

Sydney Water position: *Support*

Recommendation 29: *The operating licence includes terms and conditions for maintenance of programs and activities to manage risks to the assets/environment, in the absence of a certified AMS/EMS.*

Sydney Water position: *Neutral*

Recommendation 30: *The reporting manual includes requirements for Water NSW to prepare annual compliance and performance monitoring reports on the AMS and EMS and make this publicly available on its website.*

Sydney Water position: *Support*

Recommendation 31: *The reporting manual includes a requirement for Water NSW to report to IPART (once during the term of the licence) on the state of all of its assets, including those transferred to it from DPI Water.*

Sydney Water position: *Support retaining this type of reporting requirement for the Sydney Declared Catchment Area; do not have preference for licensing option to achieve this*

Sydney Water supports Water NSW being required to maintain, implement and report on a certified Asset Management System (AMS) based on ISO 55001 and a certified Environmental Management System (EMS) based on ISO 14001. Certification would:

- give regulators and stakeholders assurance and confidence that Water NSW management systems follow international best practice standards to deliver quality products and services
- result in improvements to quality, service and cost for the organisation and its customers arising from an increased understanding of the company's key processes, due to the increased focus on self-assessment
- provide IPART with greater scope to apply a risk based approach to licence compliance auditing for requirements relating to independently verified systems.

We note that no timeframes have been included to develop and implement these systems. In the draft report, IPART notes that Water NSW has advised that the systems should be in place prior to the new licence commencing.

We are neutral to the new requirements to continue to manage assets to maintain appropriate levels of service and to adequately address risks to the environment in the absence of a certified

system. The notes included here are helpful in explaining IPART's intention. That is, the clauses are intended as a back-up if certification is not achieved, or to apply until certification is regained.

We support the proposed requirement for Water NSW to provide a State of Assets Report to IPART for the Sydney Declared Catchment Area. IPART has stated in the draft report that the State of the Assets Report is useful to IPART (which differs from IPART's position in Hunter Water's current licence review, where IPART has noted that it does not use or rely on the State of the Assets Report for Hunter Water). The Water NSW State of the Assets Report may also contain useful information for Sydney Water on the state of critical assets used to supply water to us, such as the Upper Canal and Warragamba Pipelines. Water NSW should be able to prepare the report based on the assessment of the performance of its assets that it must complete as part of implementing an AMS based on ISO 55001.

We are not opposed to the same outcome being met through an alternative licence obligation, such as reporting on outputs from the AMS.

We do not have a view on the need for this type of reporting requirement outside of the Sydney Declared Catchment Area.

5.2 General preference to refer to ISO standards

As noted during Hunter Water's current licence review, Sydney Water would prefer all IPART-regulated operating licences to refer to ISO standards, rather than AS/NZS standards, where they are consistent (for example, for AMS and EMS, but not customer complaints management).

Sydney Water's current EMS certificate, issued by our independent ISO auditor, references the ISO 14001:2015 standard, not the AS/NZS ISO 14001:2016 standard. While the two standards are identical, the AS/NZS standards are not always updated at the same time as ISO standards.

If adopted by IPART, references will need updating throughout the draft Operating Licence and draft Reporting Manual.

6 Customer and stakeholder relations

6.1 Education program

Recommendation 40: *The operating licence authorises Water NSW to undertake an educative role within the community and include terms and conditions requiring Water NSW to undertake this function consistent with the objectives of the Act.*

Sydney Water position: *Support for the Sydney Declared Catchment Area*

As noted in our response to the Issues Paper, Water NSW has a key role in educating the community about the value of water, management of water and systems to protect water quality, and the role of water in environmental health. These comments were made with specific reference to the Sydney Declared Catchment Area.

We do not have a view on the need for educative functions outside of the Sydney Declared Catchment Area. If additional work is done outside of the Declared Catchment Area, this should not be funded through prices levied on Sydney Water.

6.2 Codes of conduct with WIC Act licensees

Recommendation 39: *The operating licence includes requirements for Water NSW to use its best endeavours to cooperate with any licensed network operator, or retail supplier under the WIC Act, that seeks to establish a code of conduct with it.*

Sydney Water position: *Support*

Draft clause 6.12.1 appropriately limits the proposed requirement to actions within Water NSW's control. That is, the onus is on the *Water Industry Competition Act 2006* (WIC Act) licensee to seek to establish such a code, where required to, and it is a best endeavours requirement.

We note that the requirement for such a code in WIC Act licences issued to date appears to be relevant only to entities that are **connected** to the WIC Act licensee.³ We are not aware of any current circumstances where this occurs for Water NSW. However, the draft clause provides an appropriate obligation if this situation should arise in the future.

6.3 MoUs

Recommendation 42: *The operating licence includes terms and conditions regulating the nature of Water NSW's Memoranda of Understanding with NSW Health and the Environment Protection Authority.*

Recommendation 44: *The operating licence includes terms and conditions requiring Water NSW to use its best endeavours to enter into a Memorandum of Understanding with DPI Water to form the basis of a cooperative relationship, particularly for the role of Water NSW*

³ For example, see licence condition B10.2 in Network Operator's Licence no. 16_037.

in the review and implementation of the Metropolitan Water Plan, and for undertaking the conferred functions.

Sydney Water position: Support, in principle; subject to removal of compliance element

Including licence obligations for Water NSW to maintain Memoranda of Understanding (MoUs) with NSW Health and the EPA builds on the requirement in the Water NSW Act to establish MoUs with these two agencies. While having MoUs should not be reliant on a licence requirement, including obligations for MoUs with key regulatory bodies or parties where there is a specific need for interaction highlights the importance of the relationship between the utility and that party.

We recommend removing the requirement to **comply with** MoUs for these two parties, or any other party. The purpose of MoUs are to form the basis for co-operative relationships between the parties and, in the case of NSW Health and the EPA, to recognise the role of the agency in regulating certain activities. It is implicit in establishing the MoU that both parties will work together to adhere to its provisions. As the ability to fulfil the objectives of the MoU requires an equal commitment from both parties, holding one party accountable for compliance is impractical and unreasonable.

If IPART retains a compliance element for any MoU, we recommend that the words “best endeavours” apply to both maintaining and complying. This is consistent with the approach currently adopted for the proposed MoUs with Local Lands Services and DPI Water (or the relevant agency who will be responsible for metropolitan water planning, given recent Government decisions to make changes to this agency).

In Sydney Water’s and Hunter Water’s licences the mechanism of a Roles and Responsibilities Protocol with DPI Water is used to define and address roles of each agency in terms of metropolitan water planning. However, in Water NSW’s case, the Protocol will address conferred functions, while the proposed MoU will cover each party’s role in terms of metropolitan water planning. This is not an issue of concern for Sydney Water, but may cause confusion.

7 Performance monitoring and reporting

7.1 General comments

Recommendation 46: *The reporting manual includes obligations requiring Water NSW to report on the status of any recommendations identified in the most recent operational audit and in IPART’s audit report to the Minister, and requiring Water NSW to provide an update on the implementation of any opportunities for improvement identified in the audit.*

Recommendation 47: *The operating licence includes terms and conditions requiring Water NSW to comply with its obligations in the reporting manual, and maintain adequate records to allow it to comply with these obligations.*

Recommendation 50: *The reporting manual includes new and existing performance indicators reporting manual relating to water supplied to customers but no new performance indicators in relation to water that is captured, stored and released.*

Sydney Water position: *Generally support; some minor wording changes suggested*

Three minor points could be addressed regarding performance monitoring and reporting against licence obligations, to improve clarity and to be more outcomes-focused:

- Both the draft Operating Licence and draft Reporting Manual should require Water NSW to report on “major non-conformances identified by the ISO certification body”, rather than “non-conformances” in its ISO based EMS and AMS management systems. Any major non-conformances identified by the ISO certification auditor would be significant, as distinct from self-identified non-conformances through internal system audits, which may be minor in nature.
- The ISO 14001 Standard no longer refers to targets. Instead, it requires the development of objectives as well as monitoring and measurement of environmental performance. We recommend changing the wording regarding reporting against the EMS to reflect this.
- There is a minor inconsistency between Recommendation 46 and the draft Reporting Manual. Section 7.2.1 of the draft Reporting Manual only requires Water NSW to provide an update on the implementation of improvement opportunities identified in the audit that it chooses to report to IPART, rather than any opportunities identified in the audit. IPART should clarify in its final report that reporting to IPART on audit recommendations is mandatory; however, reporting on the implementation of improvement opportunities is optional.

8 Other issues

8.1 Licence objective

Recommendation 1: Replace the existing licence ‘objective’ and ‘purpose’ of the current licences with a new licence objective, including a note outlining the ‘purpose’.

Sydney Water position: Support, in principle; recommend rewording

Including an objective statement in licences may assist stakeholders understand why it exists and what it aims to achieve. However, the proposed new objective statement is potentially confusing. In particular, points b) and c) in draft clause 1.1.1 – to consider the interests of stakeholders and impose the minimum regulatory burden – are not objectives of the licence itself. Rather, these points describe the licensing or licence review process.

While not a major issue, Sydney Water’s preference would be to include a straight-forward description of the licence and what it requires and / or allows Water NSW to do. We have found the phrase “to enable and require” is particularly useful in explaining why the licence exists. Even if this results in some duplication with the Water NSW Act, this may be a case where duplication can aid clarity, with no additional costs to Water NSW.

We also suggest that the final report include additional explanation distinguishing the licence objective from its purpose. These two terms are often used interchangeably in general parlance. The distinction IPART is making is not made clear by the draft report.

8.2 Licence review period

No recommendation – term of five years proposed in draft Operating Licence; Water NSW has requested a term of two years

Sydney Water position: Neutral

IPART has proposed a five-year term for the licence, which is the maximum term allowed. This means that the licence would expire in 2022, after the next scheduled Water NSW price determination for the greater Sydney area.

Water NSW’s initial preference was for a five-year term. However, at the public hearing, Water NSW noted it had changed its position and instead requested a two-year term to:

- allow changes to be incorporated into pricing determinations (Water NSW is subject to multiple price determinations)
- account for potential changes within their organisation and within the market.

Sydney Water has no issues of concern with a two-year term being adopted for this licence. Going forward, it may be useful for IPART to establish a set pattern for licence reviews and pricing determinations. In its draft report IPART states that it will consider the issue of sequencing reviews more generally in the future. We support this move and would be happy to participate.

8.3 Pricing

Recommendation 7: The operating licence includes an auditable condition with respect to application of the relevant pricing determination.

Sydney Water position: Support

This is consistent with our position to the Issues Paper. While Water NSW is required to comply with the *Independent Pricing and Regulatory Tribunal Act 1992* regardless, including this as a licence condition enhances transparency and accountability.

8.4 Metering

Recommendation 35: The operating licence authorises Water NSW to operate, replace, repair, maintain, remove, connect, disconnect, or modify metering equipment that it does not own, but only by agreement with the owner, including Government funded meters.

Sydney Water position: Not supported for meters used to supply water to Sydney Water

In our response to the Issues Paper, Sydney Water noted that it had no objection to Water NSW being authorised to operate, replace, repair, maintain, remove, connect, disconnect or modify metering equipment that it does not own, if these functions were carried out with the agreement of the asset owner.

However, our position has now changed on this issue. Some of the tariff meters used to calculate Sydney Water's bulk water costs are owned, maintained and operated by private operators, with three-party commercial agreements in place between Sydney Water, the private operator and Water NSW. Giving Water NSW this authority, even with the consent of the asset owner, would not be appropriate in these circumstances.

Sydney Water and Water NSW already have protocols in place under the RWSA in relation to calibration, adjustment and verification of payments for water supplied to Sydney Water.

Accordingly, we request that draft clause 6.3.2 be amended to either:

- exclude meters used to supply water to Sydney Water
- include an additional condition to obtain the agreement of Sydney Water, if the meter is used to supply water under the RWSA.

9 Glossary

ADWG	<i>Australian Drinking Water Guidelines</i>
AMS	Asset Management System
AS/NZS	Australian Standard / New Zealand Standard
DPI Water	Department of Primary Industries, Water
ELWC	Economic Level of Water Conservation
EMS	Environmental Management System
IPART	Independent Pricing and Regulatory Tribunal
ISO	International Organization for Standardization
MoU	Memorandum of Understanding
WQMS	Water Quality Management System
RWSA	Raw Water Supply Agreement
WIC Act	<i>Water Industry Competition Act 2006</i>
WQMS	Water Quality Management System

