

Review of Sydney Water's Operating Licence

Response to Issues Paper
August 2018

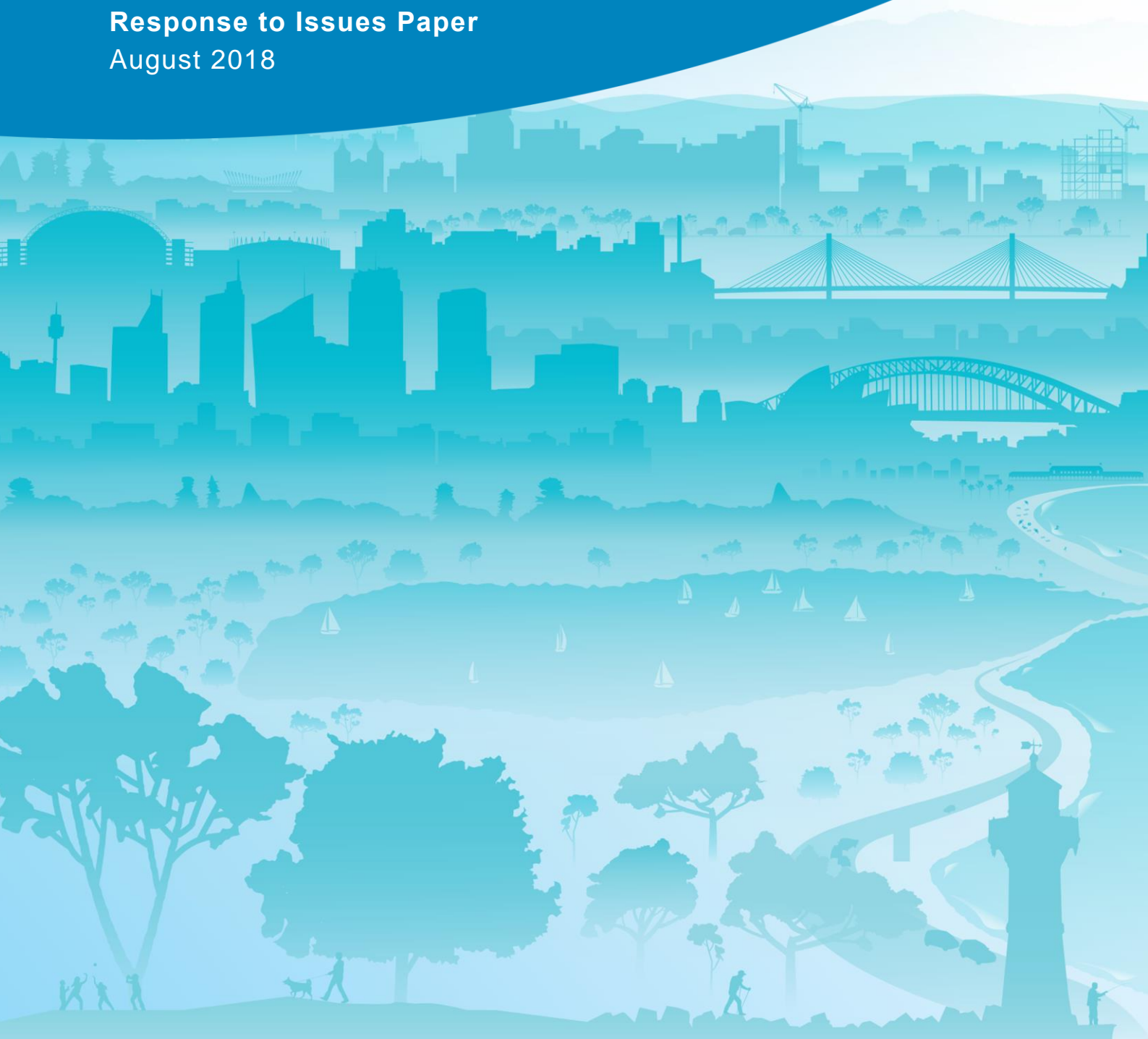


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Executive summary

Sydney Water welcomes the opportunity to share our views on our *Operating Licence 2015-2020* (the Operating Licence), which includes our *Customer Contract 2015-2020* (the Customer Contract).

This submission outlines our proposals for how the Operating Licence and Customer Contract can be improved. We also provide our views on the questions posed by the Independent Pricing and Regulatory Tribunal's (IPART) Review of the Sydney Water Corporation Operating Licence Issues Paper (the Issues Paper).

Objectives for this review

We support a licence and regulatory framework that is simple with clear accountabilities, and which enables us to focus on our core business of meeting customer needs and investing in Sydney's future infrastructure. To do this, we think the Operating Licence should:

- value customers and reflect their views
- focus on outcomes, rather than being overly prescriptive, and
- allow Sydney Water flexibility to respond to changing circumstances and our customers' preferences and expectations.

For the most part, the Operating Licence is in good shape and it is only three years since the last review was completed. Therefore, we would not expect a major reform agenda in this review. Given IPART's preliminary views in their Issues Paper, IPART appears to agree with our assessment.

There are some important issues raised by IPART where debate is timely. We welcome IPART's focus in these areas, particularly moves to better understand our customers' values, the role of service performance standards, the Customer Council and how we integrate customer insight more generally. Sydney Water strongly focuses on our customers' needs, and we are seeking to understand these better. We have a big challenge ahead to expand and support the growth of Sydney, particularly in the west. The way we engage with our stakeholders and customers will be a key factor in our success.

Similarly, competition, particularly in areas experiencing high growth, may increase, so it is reasonable to consider if current arrangements to facilitate the emerging competitive market are efficient and effective. In the case of services to WIC Act licensees, we would like to see evidence and feedback from market participants to inform what could best facilitate competition.

While we appear well aligned with IPART on strategic objectives, in some cases we have a different view on the best regulatory approach. Where warranted, our preference is for a light-handed approach, especially for areas of low risk or impact, and where detailed requirements are not necessary to achieve the desired outcome for customers or the community.

IPART's strategic focus areas

While the Issues Paper covers many specific technical issues, there are three key focus areas of potential strategic change:

- services to WIC Act licensees
- system performance standards
- customer engagement, including the role of the Customer Council.

Our views on these key areas are outlined below.

Services to WIC Act licensees

Under the Operating Licence, Sydney Water is required to provide water and wastewater services to properties, with the terms and conditions for supply of services set out in our Customer Contract. As part of this review, IPART has asked whether there would be benefit in creating additional obligations on Sydney Water to provide services and other information to retailers and network operators who have been issued a licence under the *Water Industry Competition Act 2006* ('WIC Act licensees').

Experience demonstrates that competition in the urban water market in Sydney can take many forms. To date, we have negotiated a small number of utility service agreements with new entrants looking for a full "wholesale service" (including water and wastewater services for WIC Act licensees who want to supply end-users). A few WIC Act licensees provide services to Sydney Water (for example, the Sydney Desalination Plant). In other situations, WIC Act licensees operate on a largely stand-alone basis, with no or minimal connections to Sydney Water's network. For example, a recycled water plant may rely on potable water top-up from Sydney Water, but require no other connection with our networks.

It would be interesting to understand where IPART and market participants consider change to Sydney Water's licence obligations is most required. We have assumed that the focus is better assisting WIC Act licensees that require a wholesale service from Sydney Water or are assessing opportunities to enter the market. We are interested to hear stakeholder views on this area, and we would be concerned if participants say the absence of such certainty is a barrier to their market entry. However, we also need to balance any new requirements with our obligations to protect the integrity of our networks, provide a safe working environment and minimise costs for all customers.

It is not clear to us that enough wholesale service arrangements have yet been agreed with WIC Act licensees to have a definitive view of what the best arrangements are. A more highly regulated approach, providing more up-front certainty to new entrants, is not necessarily to their advantage, and would need to be based on assumptions about the wholesale schemes and services they may seek. We have begun investigating what type of information could be made available to assist potential wholesale customers and/or access seekers. This could include information on the nature of current or future capacity constraints, and a range of likely avoidable costs of alleviating or deferring these constraints. We are engaging with current wholesale customers to better understand their views. We will keep IPART updated on the outcomes of these discussions.

Our current preference is to allow service standards, and other non-price terms and conditions, to be negotiated on a case by case basis. This approach gives both parties the flexibility to propose and negotiate service standards and other situation-specific conditions that are tailored to the wholesale scheme, rather than using a 'one size fits all' approach. At this stage, we support an Operating Licence obligation that mirrors Hunter Water's Operating Licence, which provides some certainty about service provision but also allows flexibility for negotiation of the details.

If a regulatory response is needed, new licence obligations may not be the most appropriate method. The examples of minimum standards noted in the Issues Paper would apply not only to Sydney Water, but also to wholesale customers (for example, discharge quality parameters). In this case, an industry-wide code of conduct, perhaps overseen by IPART, could potentially provide a better combination of flexibility and certainty for market participants.

Sydney Water is committed to following in full the letter and spirit of the WIC Act. Where new entrants can provide a more cost-effective service than Sydney Water, or a different type of service for which there is demand in the market, customers should be able to benefit from these options without hindrance or undue delay.

System performance standards

We agree that system performance standards should be set to include an economic valuation of customer preferences, so that they better reflect customer views.

We have initiated a process that is in line with the economic approach set out in the Issues Paper and will endeavour to deliver results within the timeline of this review. We will survey customer willingness to pay for different service levels. We will then use this information to perform a cost-benefit analysis of different scenarios to determine where the 'total social cost' is minimised. Our process takes account of the realities of delivering these services, based on data and analysis from our planning and operations teams.

Based on feedback from our customers, the events of greatest inconvenience to them are lengthy, uncommunicated water interruptions and wastewater overflows onto private properties, especially repeat events. In this sense, these remain appropriate areas for setting performance standards. However, aspects of the current standards could still be improved. To address this, we are:

- reviewing service levels, taking account of customer preferences and the value customers place on levels of service
- proposing changes to measure compliance, such as:
 - changing to a five-year rolling average. This would still demonstrate the underlying service trend, while making allowance for weather impacts which vary from year to year
 - expressing threshold limits as a 'percentage of properties supplied' rather than an absolute number. This accounts for the impact of growth and stops the performance requirement automatically tightening over time.

Customers have also told us that water pressure is a relatively unimportant area of performance. However, we note that a small number of customers experience chronic water pressure problems. In response, we propose to:

- consult with customers on the benefits and costs of removing a small number of chronic water pressure failures
- remove the water pressure standard from the Operating Licence
- recommend more meaningful water pressure indicators for the Reporting Manual.

More significant changes to the structure or scope of the existing standards would require a rigorous and transparent process. We would also need time to reflect significant changes in our forecasts for the 2020 price determination. As this Operating Licence review was advanced by a year to avoid both reviews occurring at once, there is insufficient time for additional scope of work to be completed in this review. If needed, we are happy to work with IPART to agree on a process for a rigorous and more wide-ranging review of system performance standards.

Customer engagement and the Customer Council

We are committed to involving customers in our decision making. Our 2018 engagement program is evidence of how we have made positive moves in this direction. Going forward, we recognise the need to build on this engagement and make it more integral to our planning and decision-making processes.

In its Issues Paper, IPART has proposed some changes to the membership criteria for the Customer Council which imply a broader role for the Council in our customer engagement. Our Customer Council helps us engage with organisations that represent different types of customers and consumers. The Council plays an important advisory role to Sydney Water on a range of topics and issues.

We acknowledge that the current Council does not necessarily represent 'general' customers. Customers themselves have highlighted this in engagement program. However, the Customer Council is not our only avenue to seek customer views. We use a range of other direct engagement methods tailored to the topic, including project specific engagement, customer sentiment monitoring, service faults tracking, deliberative forums and surveys. We are also setting up a 'Voice of the Customer' platform, to capture customer feedback. This will help us better understand customer experience and identify opportunities for improvement.

In other jurisdictions, such as Victoria, the regulator has allowed the utility flexibility to determine the most appropriate ways to engage with their customers. We support IPART adopting a light-handed approach, if regulatory measures are needed. For example, while there may be value in the Customer Council providing input on customer engagement methods, particularly in relation to strategies for reaching different community groups, flexibility is needed to design engagement methods depending on the context.

While no decisions have been taken yet, we may want to create new structures for engaging customer representatives and consider new ways to incorporate customer input into our decision-making process. We note, for instance, the recent innovations towards more customer negotiated regulatory processes for SA Water, announced by the regulator in South Australia as recently as June this year.

Based on customer feedback, we are proposing to retain the Customer Council's current structure, with a name change to Community Advisory Council to better reflect its members. We also recommend reducing the level of detail in the Operating Licence that prescribes the Council's form and scope. In parallel, we will continue to use other methods to obtain broad customer views.

Our response to the Issues Paper

The Operating Licence is working well, and allows us to deliver essential services that provide positive outcomes for our customers and the community. There have also been significant shifts over the last few licence reviews towards a more outcomes-focused licence. We recommend maintaining many current conditions or adopting incremental improvements.

IPART's Issues Paper presents 35 questions for public comment, their preliminary views on most areas of the current licence, and some potential new licence areas. A summary of our position on each of IPART's questions is noted in the Introduction section of this submission. We provide more detailed responses in later sections of the submission.

For most areas, we agree with IPART's preliminary views. The exceptions to this are noted below:

- Licence objective – We prefer to retain the current licence objective over IPART's proposed wording. The current wording has not caused any issues that we are aware of.
- Area of operations – IPART has proposed including a map of the area of operations in the licence, to address possible ambiguity about the exact boundary limits. Given the size of the area of operations, we feel that any map could only ever be illustrative and may not add significant value.
- Water quality – We do not see the current water quality obligations as duplicative. Rather, they provide an approval or endorsement function for NSW Health. Given recent audit experience in this area, we believe there would be value in clarifying the roles of each party and ensuring there are efficient ways of ensuring compliance in this area.
- Customer Council – As noted above, we would prefer to reduce overly prescriptive requirements for the Customer Council, and retain flexibility for Sydney Water to develop and implement its customer engagement strategy as a business decision. If requirements on direct customer engagement methods are pursued, an alternative approach to using the Customer Council requirements would be to address this separately by an obligation to develop a customer engagement framework.

We look forward to reading the views of our customers and stakeholders in their submissions to IPART's review, and to participating in the public hearing next year.

1 Introduction and summary

1.1 About the Operating Licence

Sydney Water's *Operating Licence 2015-2020* (Operating Licence) allows us to deliver services to customers living in Sydney, the Blue Mountains and the Illawarra. The Operating Licence is a requirement of the *Sydney Water Act 1994* (the Act) and includes performance, reporting and auditing obligations that Sydney Water must comply with.

These include requirements for:

- the delivery of services, including pricing
- water quality
- water conservation (termed 'water quantity' in the current licence)
- how we manage our assets, including:
 - developing an asset management system
 - meeting system performance standards
 - reporting on response times for water main breaks
 - complying with the outcomes of a Government review of the Priority Sewerage Program (to date, no review has occurred)
- customer and consumer rights, including:
 - providing information to customers
 - complaint and dispute handling
 - assistance options for customers in financial hardship
 - maintaining a Customer Council
 - cooperating with private utilities to establish codes of conduct (where there is a direct connection to Sydney Water infrastructure)
 - a copy of our full Customer Contract
- environmental management and reporting
- developing a new quality management system
- performance monitoring
- maintaining memoranda of understanding with key regulatory and other agencies.

It also contains administrative clauses, such as licence term (it has a maximum term of five years), making the licence publicly available, and undertaking an end of term review.

The current Operating Licence will expire on 30 June 2020. This review has been brought forward by one year to avoid it occurring simultaneously with our next price determination. This means that the new licence and Customer Contract will begin on 1 July 2019.

1.1 End of term review of the Operating Licence

IPART is responsible for monitoring Sydney Water's performance against the licence each year. IPART also conducts the end of term review, which usually includes several points of consultation with Sydney Water and other stakeholders. At the end of its review, IPART will recommend the terms of an amended or new licence to the Minister for Energy and Utilities. Following Ministerial approval, the amended or new licence must also be approved by the NSW Governor before it takes effect.

On 25 June 2018, IPART released an Issues Paper to begin the end of term review of our current Operating Licence. Sydney Water's submission (this document) is due to IPART on 6 August 2018, with other stakeholder submissions being due by 20 August 2018.

1.2 Compliance with our Operating Licence

Sydney Water has an excellent record of compliance with its Operating Licence since corporatisation in 1995. Sydney Water has continued to demonstrate this high level of compliance with its 2015-2020 Operating Licence. Sydney Water was assigned Full compliance for the majority of licence clauses audited in 2016-17. Of the 27 clauses audited, Sydney Water achieved:

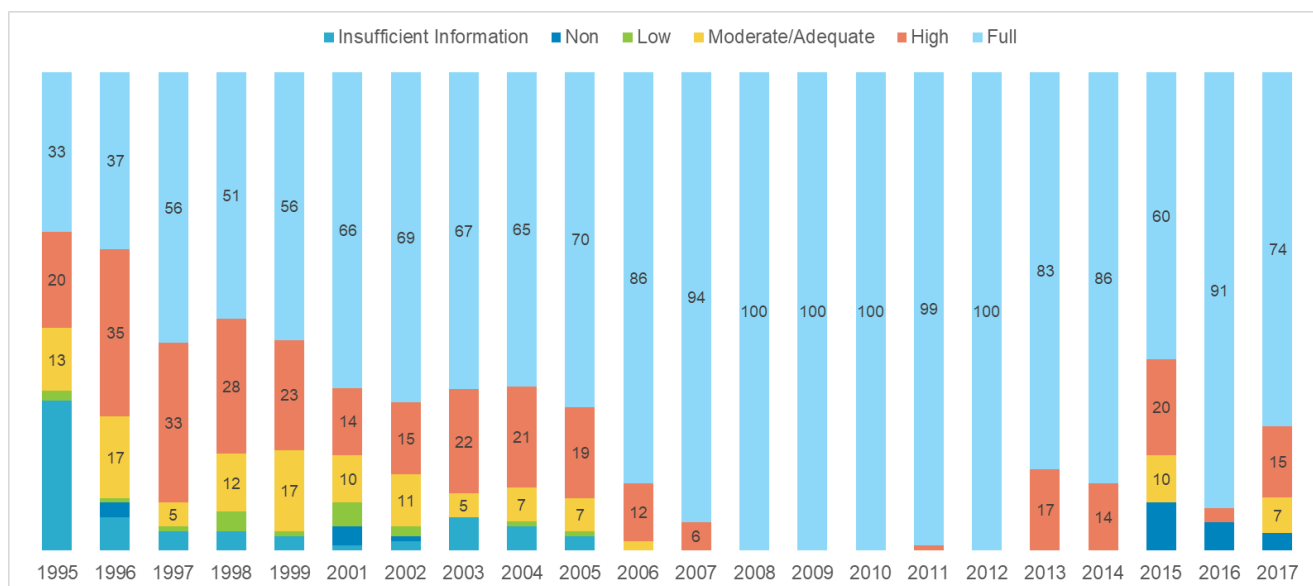
- full compliance with 20 clauses related to water quality and quantity, managing assets, customers and consumers, quality management and our memoranda of understanding with key agencies
- high compliance¹ with four clauses related to drinking water, recycled water and performance monitoring
- adequate compliance with two clauses related to recycled water and the fluoridation code
- non-compliance for one clause relating to pricing, which was self-reported in our 2016-17 Statement of Compliance to IPART.

This strong performance is further demonstrated by the results of IPART's consultation with key agencies (including NSW Health, Department of Planning and Environment, NSW Environment Protection Authority, and the Department of Industry – Water) as part of the audit process. In its 2016-17 Operating Licence audit report, IPART reported that "all submissions from stakeholder agencies were generally satisfied that Sydney Water had met its obligations under the licence relevant to their portfolio".² Our compliance against the Operating Licence over time is shown in Figure 1.

¹ 'High compliance' is defined in the IPART Audit Guideline Public Water Utilities (May 2013) as "the requirements have generally been met apart from very few minor shortcomings which do not compromise the ability of the utility to achieve defined objectives or assure controlled processes, products or outcomes".

² IPART Sydney Water Corporation Operational Audit 2016-17 - Report to the Minister December 2017, page 7.

Figure 1 Sydney Water's Operating Licence compliance 1995-2017 (% compliance achieved)



1.3 Consultation with customers and stakeholders

Our aim is to present a customer-informed submission that reflects our customers' needs and values and will lead to positive customer outcomes. We have done this by:

- undertaking a broad customer engagement program in 2018 to inform our submissions to our key regulatory reviews, as well as ongoing business decisions and strategy setting
- drawing from existing sources of customer insight such as customer complaints data and website hits to understand areas of customer concern and interest
- discussing the review and our draft positions on the licence and Customer Contract with the Customer Council
- engaging with specific stakeholders, such as NSW Health and the Environment Protection Authority (EPA), on areas of particular interest, via ongoing engagement forums.

An overview of our customer engagement program, including activities, methodologies and content, is provided in Appendix 1. We encourage stakeholders and customers to make their own submissions to IPART, expressing their own views and interests.

1.4 Structure of this submission

This document provides Sydney Water's response to questions and issues raised by IPART and presents our views and recommendations for improving the Operating Licence. We have structured our submission to generally follow the order of issues in IPART's Issues Paper, with some issues involving more lengthy discussion separated for ease of reference. IPART's questions are noted throughout the submission in italics.

The following sections of the submission relate to:

- Section 2 – review framework and licence structure
- Section 3 – licence context and authorisation, covering licence objective, authorisation clauses, stormwater services, area of operations, the length of the licence, pricing and other administrative clauses

- Section 4 – licence context and authorisation, covering potential new obligations to provide services to WIC Act licensees
- Section 5 – water conservation, including the Economic Level of Water Conservation methodology, reporting on water conservation activity and metropolitan water planning
- Section 6 – supply services and performance standards, covering drinking water quality and recycled water quality
- Section 7 – supply services and performance standards, covering system performance standards
- Section 8 – supply services and performance standards, covering reporting on response time for water main breaks, the Priority Sewerage Program and critical infrastructure security
- Section 9 – organisational systems management, covering the Asset Management System, the Environment Management System and the Quality Management System
- Section 10 – customer and stakeholder relations, covering customer and consumer licence obligations and our proposed changes to the Customer Contract. A full copy of our updated contract is provided at Appendix 4
- Section 11 – customer and stakeholder relations, covering the Customer Council and customer engagement
- Section 12 – customer and stakeholder relations, covering memoranda of understanding with key agencies.
- Section 13 – performance monitoring and reporting.

1.5 Summary of issues raised by IPART and our response

The table below outlines our positions in response to IPART’s 35 questions in the Issues Paper. Further detail and information is provided in the following sections of this submission.

Table 1 Summary of IPART questions and Sydney Water’s response

Review framework	
1. <i>What are your views on whether we have applied the Best Practice Licensing Framework appropriately for this review?</i>	We support IPART’s application of the framework, as outlined in the Issues Paper. See Section 2.
2. <i>Do you have any suggestions for how we can improve our effectiveness and efficiency in administering the licence?</i>	We support IPART’s administration of the current licence, and do not have any suggestions for improvement. See Section 2.
Licence structure	
3. <i>Do you agree with our proposed amended licence structure?</i>	IPART’s preliminary view is to modify the structure of the licence to align with Sydney Water’s operational activities. We support IPART’s proposed structure, which will not have a material impact on the conditions of the licence. See Section 2.

4. *Do you agree with our preliminary view to modify the existing licence objective to also reflect the intended outcomes of the licence? Do you support our proposed objective?*

IPART's preliminary view is to modify the licence objective to reflect the intended outcomes of the licence. Our preference is to retain the current licence objective, which has not raised any issues that we are aware of.

As an alternative, we have also proposed alternative wording that is better aligned with our statutory objectives. See Section 3.1.

5. *Do you agree with our preliminary view that the substance of, and intention behind, the licence authorisation clauses are sound? Do you agree that the existing drafting should make clearer that Sydney Water is authorised, but not required, to construct stormwater drainage systems?*

IPART's preliminary view is to retain existing authorisation clauses. We support this.

We considered whether licence changes were needed to enable or support the delivery of services consistent with integrated water cycle management (IWCM). However, in our view, planning processes for the delivery of services do not need to be stipulated in the Operating Licence and are already captured by the existing authorisation clauses. We are interested to hear IPART and other stakeholder views on this issue.

IPART's preliminary view is to modify stormwater clauses with minor amendments to differentiate between 'required' and 'permitted' functions relating to stormwater drainage systems. We support this proposed clarification, as a further clarification of the amendments proposed by us in the last Operating Licence review.

In addition, we are proposing that the licence should acknowledge that Sydney Water can provide stormwater services to address water quality and/or waterway health drivers. This will help clarify the nature of Sydney Water's provision of stormwater services. See Section 3.3.

6. *Do you agree with our preliminary view to update the local government areas included in the area of operations and add a map to the licence?*

IPART's preliminary view is to update local government areas and add map of area of operations.

We have considered the suggestion to include a map. In practice, any map would be illustrative only, and would change over time. It would also not provide sufficient resolution to determine if a property is in our area of operations. As such, we feel the benefits of doing so would be small.

We support updating the definition of our area of operations to reflect new Local Government Areas (LGAs). See Section 3.3. Proposed wording is provided in Appendix 2

7. *Do you agree with our preliminary view for a 5-year licence term? Do you have any views regarding the sequencing of licence and price review cycles?*

IPART's preliminary view is to adopt a five-year licence term, as the maximum term allowed under the Sydney Water Act 1994 (the Act).

We support using maximum five-year licence terms in principle. Although, we want to better sequence the licence with the price determination. Previously, there have been different terms set for the Operating Licence (typically, five years) and the price determination (typically, four years). This results in a misalignment between reviews, with changes to licence conditions potentially being unable to be effectively factored into price paths.

We are proposing a five-year term for both the licence and price determination, with a two-year gap between them. To achieve this, we are seeking a four-year licence from 2019-2023 and a five-year price path for 2020- 2025. From 2023, the Operating Licence would revert to its maximum five-year term. See Section 3.4.

8. *Do you agree with our preliminary view to specify IPART as the person to undertake the end of term licence review?*

We have no concerns with this amendment, which will not have any material impact in practice. See Section 3.5.

9. *Do you agree with our preliminary view to retain the existing licence clause that clarifies that the licence does not prohibit any other person from providing services in Sydney Water's area of operations (the non-exclusive licence clause), and also retain the existing licence clause that require Sydney Water to make a copy of its licence available to any person free of charge (the availability of licence clause)?*

We support retaining clauses allowing other parties to provide services in our area of operations and requiring Sydney Water to make the licence freely available on request. This reflects our current context and practice. See Section 3.6.

10. *Should Sydney Water be obliged to provide water and sewerage services to WIC Act licensees? What would be the long-term benefits to end-use customers?*

We are happy to accept an obligation to provide services to WIC Act licensees, in line with that used in Hunter Water's current Operating Licence. We note that it is important for Sydney Water to maintain an ability to set terms and conditions to ensure financially viable, safe and reliable supply, as we have for providing services to retail customers.

We assume that "services to WIC Act licensees" are wholesale services, as defined in the recent wholesale pricing determination. It would be useful for this to be clarified prior to or in IPART's draft report. See Section 4.2.

11. *What are your views on imposing licence obligations on Sydney Water to service WIC Act licensees or potential competitors, such as specifying minimum service standards, prescribing a negotiation process with or without a dispute resolution process, and requiring Sydney Water to disclose certain information? What are the long-term benefits to end-use customers?*

In our view, additional licence obligations, such as minimum service standards or an obligation to negotiate, could unnecessarily constrain commercial negotiations between Sydney Water and potential wholesale customers.

Our preference is to not prescribe minimum service standards. We would prefer to negotiate service standards on a scheme-by-scheme basis. If included, service standards should be a starting point for negotiations, rather than minimum required standards.

Given the scale of wholesale services, we do not think there is merit in establishing formal negotiation protocols. We have successfully negotiated Utility Services Agreements for the four instances of wholesale services that currently exist, with later schemes taking less time to negotiate than earlier schemes.

We are exploring how we could meet a requirement to publish information to assist new market entrants that would need a wholesale service provided by Sydney Water.

We note that most WIC Act schemes within our area of operations do not rely on a wholesale on-selling service from Sydney Water, but are stand-alone schemes.

We are happy to retain a licence obligation that Sydney Water must use its best endeavours to cooperate with WIC Act licensees who seek to establish a code of conduct. This only applies for schemes where there is a direct connection to Sydney Water's infrastructure.

See Section 4.3.

12. *What are your views on the four options presented in the Issues Paper to include a new obligation on Sydney Water to provide services to WIC Act licensees and the evaluation criteria to assess these options? Do you have any inputs relevant to our evaluation of options for licence obligations?*

Our preference is to adopt Option 1, potentially in combination with a requirement to publish information to assist new market entrants, if there are benefits in doing so. Where possible, we would seek to make use of existing information to do this, to minimise any additional cost to Sydney Water or our customers.

We would also seek to maintain appropriate protections for our intellectual property, particularly in situations where Sydney Water may be competing against other providers to service a new development.

We are in the process of meeting with wholesale WICA customers to understand better their requirements, including whether there is any benefit in setting minimum performance standards as well as the type of information we hold that might assist them.

As noted above, our general preference is for wholesale service standards and other non-price terms and conditions to be negotiated on a case by case basis.

While IPART's proposed evaluation criteria appear sensible, we recommend using a consistent approach to evaluate new licence options (that is, IPART's best practice licensing framework).

We have attempted to provide additional information in response to questions that we considered relevant to Sydney Water, to assist IPART's evaluation of options for licence obligations.

We are happy to continue discussions with IPART and WIC Act licensees on this area.

See Section 4.

13. *Do you agree with our preliminary view to maintain the existing pricing obligation?*

We are happy to retain the existing pricing obligation. See Section 3.7.

Water conservation

14. *Do you agree with our preliminary view to maintain the requirements to implement and report on water conservation program consistent with its economic level of water conservation in accordance with the ELWC method, but to remove fixed targets for water usage and water leakage (which were phased out in the existing licence term) and remove the obligation for Sydney Water to notify and obtain IPART's approval of any proposed significant change to the ELWC method?*

Should the licence contain any additional obligations relating to water conservation activities?

IPART's preliminary views are to:

- retain the ELWC methodology, covering leakage, water efficiency and recycling

- retain a requirement to report annually on a rolling five-year Water Conservation Program, aligned to the ELWC methodology
- require Sydney Water to review the ELWC methodology during next licence term
- remove IPART's approval role for changes to methodology
- remove development and transitional obligations that are now completed.

We support maintaining the ELWC methodology, with a requirement to review this during the next licence term. This will allow Sydney Water to ensure that the new methodology is working effectively, and meeting intended objectives.

We also support maintaining annual reporting of water conservation activity. This aids transparency and accountability, and reflects the importance customers and the community place on water conservation.

We generally support the proposed removal of an approval role for IPART to signoff significant changes to methodology. However, we note that this role was originally included in response to stakeholder concerns about Sydney Water self-approving its methodology.

We agree with removing redundant clauses relating to the development of, and transition to, an ELWC methodology. This is a sensible removal of clauses that are no longer relevant.

As an additional obligation, we feel there may be value in the licence retaining a generic requirement to participate in metropolitan water planning. This would reflect the importance of this function to customers and other stakeholders. See Section 5.

Supply services and performance standards

15. Do you agree with our preliminary views to:

- *maintain the existing obligations for drinking water quality but remove duplication in the obligations?*
- *move the requirements in Appendix F (Health and aesthetic water characteristics and raw water operational characteristic) from the existing Reporting Manual to a reporting schedule under the Drinking Water Quality Management System required by the licence?*

We support retaining a management system approach aligned to the ADWG and to the satisfaction of NSW Health. The current management system approach has been highly effective in protecting drinking water quality.

We do not agree that the current clauses are duplicative. We feel that all of the current obligations are necessary, as they deal with separate functions relating to NSW Health.

Accordingly, we propose retaining all existing obligations regarding the Drinking Water Quality Management System.

We support removing completed requirements on the review of public reporting. The review has resulted in planned changes to reporting that we believe is better aligned to public interest and more easily accessible by members of the public. See Section 6.1.

16. Do you agree with our preliminary view to maintain the existing obligations for recycled water quality but remove duplication in the obligations?

We support retaining a management system approach aligned to the AGWR and to the satisfaction of NSW Health.

As for drinking water quality, we do not agree that the current clauses are 'duplicative'. Accordingly, we propose retaining all existing obligations regarding the Recycled Water Quality Management System.

We are also seeking an amendment to the definition of the AGWR, to explicitly include other phases of the guidelines, and to allow alternate water recycling guidelines to be able to be specified by NSW Health. This would allow for a potential future role as a retailer of last resort for WIC Act schemes.

See Section 6.2.

17. *Given that the Fluoridation of Public Water Supplies Act 1957 and the Fluoridation of Public Water Supplies Regulation 2017 requires Sydney Water to fluoridate drinking water, what are your views on maintaining or removing fluoridation obligations in the licence?*

IPART has not presented a preliminary view for this area of the licence.

In the last Operating Licence review, NSW Health supported the retention of this clause, as it felt that the Operating Licence is an appropriate mechanism to set out key government requirements of public interest in a succinct and accessible form. We are happy for this arrangement to continue,, for ease of access by consumers and to formalise regular auditing. Outcomes of recent audits have led to improvements in Sydney Water processes and will inform the review of the Fluoridation Code.

See Section 6.3.

18. *Do the existing System Performance Standards measure the most appropriate and relevant service outcomes? Are they specified in the best way to provide cost-effective service outcomes?*

We are proposing to retain the existing measures for system performance standards relating to water continuity and wastewater overflows standards. These types of events have some level of alignment with events that are highly inconvenient to customers, which include:

- lengthy water interruptions with no notice (noting that inconvenience for water interruptions is also highly impacted by time of day)
- wastewater overflows onto private properties
- repeat events.

We propose removing water pressure as a licence standard, and instead including new performance indicators. Customers did not rate low water pressure, particularly for short durations, as highly inconvenient.

We are open to further changes to our system performance standards in the future, if warranted or desired. However, this would need to be supported by a deeper understanding of the drivers of system performance, the costs of complying with an alternative standard, the system and customer impacts of any alternatives, as well as more extensive customer engagement. See Section 7.

19. *Do you agree with our preliminary view that we should use an economic approach to setting System Performance Standards that takes account of the value that customers place on the level of services?*

IPART's preliminary view is to revise limits of the existing standards to reflect customers' preferences and the value they place on service outcomes, balanced against the cost of service provision. We support setting levels of service for standards in a way that accounts for customer

willingness to pay, balanced against the cost of service provision. This is in line with our corporate commitments to become a more customer-centric organisation.

We manage our assets according to their lowest life cycle cost to ensure we achieve our service objectives, including meeting Operating Licence limits. Sometimes there may be a greater margin between actual performance and our licence limit threshold.

This is not evidence of over-investment, but reflects that meeting the licence limit may not be the primary or only driver affecting performance.

Performance against the standards is also affected by external factors such as urban density, weather patterns and development activity. If using a fixed threshold limit, there needs to be a margin included to allow for annual variations due to these factors. There may be variations between actual and target performance in some years, and these do not necessarily signal under- or over-investment by Sydney Water.

In recent years our service performance, as measured by the licence standards, has been relatively stable, while we have continued to find operating efficiencies to reduce our costs. Using a fixed number of properties as a licence limit while our customer base grows each year means that the standard is effectively tightening over time.

We would prefer a measurement approach that accounts for customer growth, such as a percentage of total properties served or a rolling five-year average. A five-year average could also better account for variations due to external factors such as weather and development activity.

We explain the drivers of performance and outline our proposed approach to better align the current licence standards with customer willingness to pay in Section 7. We are currently undertaking a willingness to pay study to inform this. We expect results from this work to be available in late 2018.

20. *Given the obligation to report on response times on water main breaks and leaks appears in two separate parts of the existing licence, what are your views on removing licence clause 4.3.1 and consolidating the reporting requirement in clause 8.2.1 of the licence?*

What are your views on the usefulness of collecting information on response times for water main breaks and leaks?

We support consolidating reporting requirements so that the requirement to report on response times for water main breaks only appears once in the Operating Licence.

We are happy to continue reporting on response times for water main breaks to IPART as part of our suite of indicators. Reporting aids transparency and provides IPART with information to monitor Sydney Water's performance in this area, which is also an area of high value for customers (although customers are likely to consider response times as including time to resolve the fault and restore supply, not just cease the leak or break, which this obligation relates to).

The report on response times to cease leaks and breaks on our website has had very low public interest, which suggests this could be removed. See Section 8.1.

21. *What are your views on maintaining or removing the existing obligations on Sydney Water regarding the Priority Sewerage Program?*

IPART does not present a preliminary view for this area.

Sydney Water's preference is to remove Priority Sewerage Program (PSP) obligations from the licence. Our preference is for the licence to be focused on terms and conditions relating to our general customer base, rather than specific, localised programs. See Section 8.2.

22. *Given that the Security of Critical Infrastructure Act 2018 (Cth) regulates critical infrastructure, what are your views on including or not including critical infrastructure obligations in the licence?*

IPART's preliminary view is to not include any new licence obligations in this area. We agree that licence obligations are unnecessary, as we are now covered by Commonwealth legislation. See Section 8.3

Organisational management systems

23. *Do you agree with our preliminary view to maintain the obligation to have an Asset Management System but replace the International Standard with the Australian Standard and replace the reporting requirement on biennial State of the Assets Reports with a one-off Strategic Asset Management Plan? In addition, do you agree with our preliminary view to remove the certification requirement, the notification of proposed significant changes requirement and the completed transitional clauses?*

We support retaining an obligation to have an Asset Management System (AMS), and changing the reference to the Australian standard. Managing our assets effectively is critical to being able to provide high quality services to our customers.

We also support removal of the certification requirement. While certification provides a number of benefits to Sydney Water, our customers and the regulator for a relatively low cost, we agree this is appropriately an internal business decision.

We support replacing the State of the Assets report with providing IPART with a copy of our Strategic Asset Management Plan. This reduces the administrative burden on Sydney Water, and makes better use of the AMS. However, we note that the Strategic Asset Management Plan will be a living document, that is updated and amended over time.

We recommend current AS/ISO standards are referenced for all of our management systems.

We support removal of completed transitional clauses. See Section 9.2.

24. *Given there are other environmental regulatory instruments and policies in place to manage Sydney Water's environmental performance, what are your views on maintaining or removing an EMS obligation in the amended licence?*

If the EMS obligations are retained, what are your views on removing the EMS certification and the requirement to notify IPART of any significant changes that Sydney Water proposes, and updating the clause to specify the most current standard?

Do you or your organisation depend on Sydney Water having an EMS to achieve certain performance outcomes or mitigate certain risks?

IPART has not presented a preliminary view on this area.

While Sydney Water is subject to a broad range of environmental regulations outside of the Operating Licence, these are predominantly focused on regulating our wastewater discharges to waterways, and assessing and mitigating the environmental impacts of our operations. The EMS provides a framework to address environmental regulation and mitigate risk, while maximising opportunities to enhance customer value in a commercially responsible way through all aspects of our business.

We support removing requirements to certify management systems and notify IPART of any significant changes Sydney Water proposes to make. While certification provides numerous benefits,

including additional assurance benefits and reduced auditing effort and costs, we agree this is appropriate to be an internal business decision.

We support updating the clause to specify the most current standard. See Section 9.3.

25. *Given there are other obligations already in the licence to ensure Sydney Water delivers quality products and services, what are your views on maintaining or removing a QMS in the amended licence?*

If the QMS obligations are retained, what are your views on removing the QMS certification and the requirement to notify IPART of significant changes that Sydney Water proposes, and updating the clause to specify the most current standard?

Do you or your organisation depend on Sydney Water having a QMS to achieve certain performance outcomes or mitigate certain risks?

IPART has not presented a preliminary view on this area.

The Quality Management System (QMS) helps Sydney Water to manage and mitigate risks, meet regulatory requirements, generate efficiencies and continually improve to meet our customer and stakeholder expectations.

We support removing requirements to certify management systems and notify IPART of any significant changes Sydney Water proposes to make. As noted above, while certification provides numerous benefits, we agree this is appropriately an internal business decision.

We support updating the clause to specify the most current standard. See Section 9.4.

Customers and stakeholder relations

26. *Do you agree with our preliminary view to update the existing obligations for customer protection on the ways Sydney Water communicates with customers?*

IPART's preliminary view is to require Sydney Water to publish information on its website and to provide information directly to customers through the medium the customer has selected for receiving bills (paper or electronic).

We support updating obligations regarding communication with customers to allow for different methods of communication, which is consistent with recent moves across the NSW Government sector to modernise communications channels.

However, in some cases, for example, the restriction or disconnection notices, it is important to ensure that the occupant (who may not be the bill-payer) receives notice. This will allow them a chance to intervene to avoid potential restriction or disconnection. In these situations, paper-based communications may still be necessary.

Our preference for the licence would be for Sydney Water to have flexibility to choose the appropriate medium of communication with customers. See Section 10.1.

Other customer and consumer related issues

We have suggested minor drafting changes to the existing consumer and external dispute resolution clauses, for clarification. We are not proposing any changes to the financial hardship or internal complaints handling clauses. See Section 10.2.

27. *What are your views on Sydney Water's proposed Customer Contract that will be attached to its submission to this Issues Paper?*

We have provided an updated Customer Contract for public consultation at Appendix 4

Our changes aim to update the contract and clarify respective obligations for Sydney Water and customers. We have also proposed some changes to allow for more flexibility, such as considering more customer-focused retail offerings in the future, if these are supported by customers.

We are still engaging with customers on proposed changes to our Customer Contract rebates. We have done significant work to try and better align rebate values with customer preferences, and are now testing these with customers. We will provide further information to IPART on the outcomes of our engagement as available.

Our proposed changes to the Customer Contract are summarised in Section 10.4.

28. *What are your views on the effectiveness of the existing Customer Council?*

Our Customer Council helps us engage with organisations that represent different types of customers and consumers. The Council plays an important advisory role for Sydney Water, particularly in providing a voice for the customers and community groups they represent.

We sought customer views on the Customer Council and about customer representation opportunities more broadly. This showed us that customers do not feel the existing Customer Council necessarily represents typical customers. However, after discussion, the consensus was to retain the Council largely as it is, possibly with a name change, and use other methods of engagement to obtain mass customer views.

We are proposing to retain the Customer Council as a licence obligation, with Sydney Water deciding how and when to directly engage with customers as an internal business decision.

See Section 11.1.

29. *Do you agree with our preliminary view on the composition and role of the Customer Council?*

IPART's preliminary view is to amend existing obligations on the composition of the Customer Council to require experts in customer engagement. In IPART's view, this will enable Sydney Water to engage in a way that is representative of its entire customer base including groups or individuals representing diverse views. We do not support this approach, as we are concerned it may be difficult to implement in practice and could result in conflicts of interest or a limiting of the market for Sydney Water to choose its own expert service providers to conduct engagement activities.

Based on the feedback from our customers, we are proposing to retain the Customer Council largely as is, with a name change to Community Advisory Council. We would prefer membership to be left to Sydney Water's discretion, as seems to be implied by the Act. While it would be valuable for us to consult with the Customer Council on customer engagement strategy and content, we do not support the Council having a directive role in this area or being solely constituted of customer engagement 'experts'.

IPART's preliminary view is to amend existing obligations on the role of the Customer Council to include both:

- obtaining advice on and representing the interests of Sydney Water's customers on key issues related to Sydney Water's planning and operations (similar to existing clause 5.5.2), and

-
- providing advice to Sydney Water on its customer engagement strategies and the use of those strategies in making level of service and business planning decisions.

We do not have strong concerns with this proposal, so long as the role and function of the Council is to provide an advisory role only, rather than a directive role. See Section 11.2 and Section 11.3.

30. Do you agree with our preliminary view to remove prescriptive obligations and replace them with outcome-based obligations?

IPART's preliminary view is that the licence obligations for the Customer Council should enable Sydney Water to effectively engage with its customers in ways that are relevant, representative, proportionate, objective, clearly communicated and accurate.

In principle, Sydney Water supports outcomes-based obligations, and we agree that the current Customer Council obligations are overly prescriptive.

However, our preference would be for a light-handed approach to be adopted in this area, for example:

- a generic obligation for Sydney Water to maintain a Community Advisory Council, with members to be determined by Sydney Water, and
- a requirement to seek advice from the council on key issues related to Sydney Water's planning and operations, including customer engagement strategies, as well as any other issues as determined by Sydney Water.

We would prefer decisions about when Sydney Water undertakes customer engagement, and how we do this, to remain as business decisions. However, if pursued as an additional licence condition, this should be addressed separately to the requirement to maintain a Customer Council.

Alternatively, requiring Sydney Water to develop a customer engagement framework, and / or a reporting requirement on activities undertaken and how they were used to inform decisions.

See Section 11.4.

31. Do you agree with our preliminary view to:

- *maintain the obligation for Sydney Water to maintain cooperative relationships with NSW Health, the Environment Protection Authority (EPA) and the Water Administration Ministerial Corporation (WAMC)?*
- *maintain and update the obligation for Sydney Water to maintain a cooperative relationship with Fire and Rescue NSW (FRNSW)?*
- *remove the obligation for Sydney Water to maintain a cooperative relationship with the Department of Planning and Environment (DPE)?*

We support retaining obligations for Sydney Water to maintain cooperative relationships with NSW Health, the EPA and the WAMC. We note that the WAMC is now represented by the Department of Industry. Our memoranda of understanding (MoUs) with these agencies have assisted to facilitate ongoing, constructive relationships.

We support continuing a licence obligation to maintain a cooperative relationship with Fire & Rescue NSW (FRNSW). The MoU obligation in the current licence has improved the relationship between Sydney Water and FRNSW and assisted to address a number of issues. Based on the positive progress to date, the detailed requirements in the licence on developing the MoU and prescribing matters the working group must consider can be removed.

We support removing the current obligation for a Roles and Responsibilities Protocol with the Metropolitan Water Directorate. The existing requirement refers to the Metropolitan Water Directorate, which no longer exists. This function is now part of the Department of Planning and Environment (DPE). A draft protocol was developed during this licence term but never finalised, at DPE's request.

See Section 12.1, Section 12.2 and Section 12.3.

Performance monitoring and reporting

32. *Do you agree with our preliminary view to maintain the existing obligations for operational audits?*

Yes. See Section 13.1.

33. *Do you agree with our preliminary view to maintain the existing obligations on reporting but consolidate these obligations in the amended licence?*

Yes. See Section 13.2.

34. *Do you agree with our preliminary view to maintain the existing environmental indicator obligations and remove duplication with the existing reporting obligation?*

Yes. See Section 13.3.

35. *Do you have a view on what would be the most useful environmental indicators for Sydney Water to report on?*

We support the use of the environmental indicators listed in current (July 2018) Reporting Manual, as these broadly cover the range of our business activities that impact the environment.
See Section 13.3.

2 Review framework and licence structure

Question 1 – What are your views on whether we have applied the Best Practice Licensing Framework appropriately for this review?

Sydney Water supports the ‘Best practice Licensing Framework’ that IPART is proposing to use for the Operating Licence review. In general, the approach outlined in the Issues Paper to apply this framework appears reasonable and appropriate. It is appropriate that the burden of regulation be considered against the potential risk and benefit to customers.

We note that IPART supports Sydney Water engaging with its customers, especially to inform any significant changes to standards or prices.³ We have made significant efforts to do so for this review, and to move towards engaging with our customers on an ongoing basis, so that they can have a say in decisions that impact them. We strongly support IPART taking customer views into account when making decisions about the need for, scope, and nature of licence conditions.

We also note IPART’s comment regarding trade-offs between price and service, and the importance of presenting information on the cumulative impacts on services and / bills.⁴ Our proposed approach for reviewing levels of service for system performance standards proposes to do this by testing changes to standards with customers within the context of the whole bill.

Question 2 – Do you have any suggestions for how we can improve our effectiveness and efficiency in administering the licence?

We support IPART’s risk-based compliance monitoring approach, as outlined in the Compliance and Enforcement Policy and Public Water Utility Audit Guideline. We note that we have recently provided comments on IPART’s approach in the recent review of the Audit Guidelines.

Question 3 – Do you agree with our proposed amended licence structure?

Yes. This will not have a material impact on any of the licence conditions or outcomes for customers.

³ IPART 2018, *Review of the Sydney Water Corporation Operating Licence Issues Paper*, IPART, Sydney, p 23.

⁴ *ibid.* p 24.

3 Licence context and authorisation

3.1 Licence objective

Question 4 – Do you agree with our preliminary view to modify the existing licence objective to also reflect the intended outcomes of the licence? Do you support our proposed objective?

Sydney Water agrees that having a clear licence objective is desirable, and should encourage better stakeholder alignment on the appropriate role and form of regulation. Our current licence objective is:

The objective of this Licence is to enable and require Sydney Water to provide the Services within its Area of Operations. Consistent with this objective, this Licence requires Sydney Water to:

- a) meet the objectives and other requirements imposed on it in the Act and other applicable laws;*
- b) comply with the quality and performance standards specified in this Licence;*
- c) recognise the rights given to Consumers and Customers; and*
- d) be subject to Operational Audits.*

This provides a straight-forward description of the licence and what it requires Sydney Water to do. The phrase “to enable and require” the provision of services is particularly useful in explaining why the licence exists.

IPART has proposed to amend the objective to reflect the intended outcomes of the licence:

The objective of the licence is to authorise and require Sydney Water, within its area of operations, to supply water, provide sewerage services and stormwater drainage systems, and dispose of waste water, and to set efficient and effective terms and conditions, including quality and performance standards, balancing the requirements to protect public health, provide services to customers and meet the needs of the community as a whole.

We are not opposed to this concept. However, as far as possible, we believe objective statements should be consistent across regulatory instruments. Under the *Sydney Water Act 1994* (the Act), we have three equal principal objectives: to protect public health, to protect the environment, and be a successful business (which includes operating efficiently, maximising the State’s investment and exhibiting a sense of social responsibility). The draft wording proposed by IPART could be seen to imply a trade-off or hierarchy of objectives which, if reflected in new or revised terms and conditions, could lead to conflicting drivers and outcomes. It is also unclear how the proposed outcome of meeting needs of the community “as a whole” could be assessed in practice.

To avoid duplication with the objectives of the Act, our preference would be to retain the existing licence objective. This has not led to any confusion that we are aware of.

If IPART wants to proceed with an amended objective, we would suggest a form of words that is better aligned with our objectives under the Act, such as:

The objective of the licence is to authorise and require Sydney Water, within its area of operations, to supply water, provide sewerage services and stormwater drainage systems, and dispose of waste water, and to set efficient and effective terms and conditions, including quality and performance standards, for Sydney Water to provide services in a way that protects public health, protects the environment, and is in line with being a successful business, including having regard to the interests of the community.

3.2 Licence authorisation and stormwater drainage clauses

Question 5 – Do you agree with our preliminary view that the substance of, and intention behind, the licence authorisation clauses are sound? Do you agree that the existing drafting should make clearer that Sydney Water is authorised, but not required, to construct stormwater drainage systems?

General authorisation clauses

We support retaining the existing authorisation clauses, and agree they appear sound.

In preparing for this review, we considered whether licence changes were needed to enable or support the delivery of services consistent with integrated water cycle management (IWCM). Sydney Water considers IWCM servicing approaches, as part of internal planning processes, and adopts them where they provide benefits. This aligns with our corporate strategy and NSW Government's objectives to improve environmental protection and enhance liveability. However, in our view, planning processes for the delivery of services do not need to be stipulated by our regulator and should consider IWCM as part of good business practice.

We also considered whether there may be merit in adopting licence obligations to develop a framework to value wider economic benefits relating to water and wastewater services. However, ideally, a framework for valuing externalities would be set by a third party or central Government agency. This would remove potential subjectivity regarding economic values of externalities, as well as promoting consistency in valuations across different government agencies and sectors. Accordingly, we have not proposed a licence obligation in this area.

We note that IPART will consider IWCM as part of its upcoming review of recycled water.⁵ As noted in its submission to the Productivity Commission in the National Water Reform review, IPART does not see IWCM as an end in itself, but a means of achieving a range of objectives. IPART supports the optimal use of resources, to maximise community benefits but does not “pre-emptively favour specific servicing solutions or means of achieving regulatory objectives.” This is consistent with our views.

We would be interested to hear IPART and other stakeholder views if they feel that licence amendments or additions regarding IWCM would be beneficial.

Stormwater authorisation clauses

Regarding IPART's preliminary view that minor drafting amendments could be made to the stormwater clauses, our understanding is that IPART is proposing to further clarify the amendments made in the last licence review that distinguish what Sydney Water **must** do under the Act (maintain capacity of stormwater system as at time of corporatisation) and what we **can** do (for example, amplify assets). If this interpretation is accurate, we have no issues of concern with further clarification being made, as it simply adds clarity to the existing clauses.

In the same vein, we note that the language used in Hunter Water's licence is more Plain English based, and may be more easily understood than the wording in our current licence. We would therefore support similar wording being used for Sydney Water. In particular, the use of “enhance” appears to support a broader concept of stormwater services, including to provide improved waterway health and liveability outcomes.

⁵ IPART 2017, *Submission to the Productivity Commission's Issues Paper on National Water Reform*, IPART, Sydney, p 24. IPART's review of recycled water was delayed, and is due to commence shortly.

In addition, Sydney Water is seeking a further clarification in the Operating Licence that Sydney Water can provide stormwater services to achieve objectives including water quality and waterway health.

Providing stormwater services in a way that reduces risks to water quality and waterway health is consistent with our principal objective under the *Sydney Water Act 1994* to protect the environment by conducting our operations in compliance with the principles of ecologically sustainable development⁶, as well as the special objectives set out in section 22 of our Act.

In accordance with best practice stormwater management, Sydney Water already implements measures to address waterway health and liveability for areas where we have stormwater management responsibilities. Measures currently undertaken for stormwater management that relate to both water quality improvement and liveability include Gross Pollutant Traps (GPTs), such as litter booms and trash racks, other stormwater quality improvement devices (SQIDs) such as sediment traps, constructed wetlands and bioretention systems. We also manage existing wetlands and natural creek lines and naturalise assets during renewal of stormwater channels. For example, we own and maintain more than 70 SQIDs across our declared stormwater catchments and have naturalised sections of Cooks River and Powells Creek. We are also naturalising a section of Johnsons Creek at Annandale and working on several other wetland/bioretention projects under our Waterway Health Capital Program.

Implicitly, the Operating Licence already acknowledges that Sydney Water's stormwater drainage services can involve both green infrastructure and quality management activities by referencing land for drainage and stormwater quality improvement devices in the definition of "stormwater drainage system" in clause 12.1. We are seeking a more direct reference to this in the licence, to enhance clarity and improve visibility in the licence around the nature and provision of Sydney Water stormwater services. Sydney Water considers that this means providing stormwater services in a way that ensures that the health, diversity and productivity of the environment are maintained or enhanced for the benefit of current and future generations, consistent with our statutory objectives.

Such a clarification could also be useful in terms of a potential expansion of Sydney Water's role in stormwater management in the future. A number of agencies and external stakeholders, have acknowledged that stormwater management in Sydney is not optimal.⁷ Currently, a wide range of ownership and management responsibilities are spread across government agencies, local councils, state owned corporations (including Sydney Water) and private land owners. As Sydney grows, a more holistic and coordinated approach is needed to manage the risk of flooding and achieve better waterway outcomes.

⁶ As defined in section 6 (2) of the *Protection of the Environment Administration Act 1991*.

⁷ For example, the Greater Sydney Regional Plan released earlier this year noted that "For local waterways, where governance and ownership of the waterway can be highly fragmented, a green infrastructure approach, which values waterways as infrastructure, can lead to more innovative management of waterways with outcomes that better reflect community expectations." Greater Sydney Commission 2018, *A Metropolis of Three Cities – connecting people*, Greater Sydney Commission, Sydney, p 150. The NSW Government's 2017 Metropolitan Water Plan also notes that "split responsibilities between state and local government for water, wastewater and stormwater servicing in Greater Sydney and the misalignment of land use and water planning hinder an integrated and whole-of-government approach to water infrastructure servicing decisions", p 21. More recently, the NSW Office of Environment & Heritage and Environment Protection Authority jointly developed a framework to consider waterway health outcomes in planning decisions in direct response to the "lack of integrated management of urban development, waterway health and the community's expectations of the state's waterways." Office of Environment & Heritage and Environment Protection Authority 2017, *Risk-based framework for considering waterway health outcomes in strategic land-use planning decisions*, report by J Dela-Cruz J, A Pik & P Wearne, Office of Environment and Heritage and Environment Protection Authority, Sydney, p 2.

There may be opportunities for Sydney Water to play a larger role in this area. For example, Infrastructure NSW is leading the South Creek Corridor Project.⁸

The review was identified in the Greater Sydney Regional Plan released earlier this year and the *State Infrastructure Strategy 2018-2038*.⁹

Infrastructure NSW will be preparing a Strategic Options Business Case that will investigate integrated water management and land use planning options to achieve the population growth and waterway outcomes that align with the Government's vision for the Parkland City.

The Greater Sydney Regional Plan and District Plans also includes strategies and actions to "improve the health of catchments and waterways" and "reinstate more natural conditions in highly modified urban waterways". These strategies and actions are consistent with the policy objectives contained in the NSW Water Quality Objectives and the Government's Risk-based framework for considering waterway health outcomes in strategic land-use planning decisions. They are also relevant to the draft Green Infrastructure Policy and delivery of the blue-green grid (also an objective in the Greater Sydney Regional Plan), as well as the draft *Marine Estate Management Strategy 2018-28*.¹⁰

Sydney Water agrees that these policy objectives and actions are important. The range of Government plans and policy documents noted above demonstrate that better, more co-ordinated stormwater management and better outcomes for waterway health are priorities for metropolitan Sydney. We want to ensure the Operating Licence does not inhibit Sydney Water from contributing to government policy (where related to our stormwater management responsibilities), or cause ambiguity about whether Sydney Water can implement stormwater management activities in a way that supports these outcomes.

An example of the type of amendment or note we are proposing is provided below:

To avoid doubt, the provision of Stormwater Drainage Systems and Services under clause 1.3 may include stormwater quality management and other measures as necessary to manage impacts of stormwater on waterway health.

As this proposal is to seek a clarification, rather than a new ability, it would not result in any additional costs to Sydney Water. Benefits provided would include greater clarity and assurance of Sydney Water's ability to support the delivery of Government objectives.

⁸ The outcome of the South Creek Corridor Project will be the creation of a cool and green Western Parkland City along South Creek and its tributaries. A continuous open space corridor along South Creek and its tributaries will be a defining structural element of the Western Parkland City. Water in the landscape will be managed to improve waterway health and the liveability of communities.

⁹ Greater Sydney Commission 2018, *A Metropolis of Three Cities – connecting people*, Greater Sydney Commission, Sydney, p 152 (Objective 26 and Action 12), and Infrastructure NSW 2018, *State Infrastructure Strategy 2018-2038*, iNSW, Sydney, p 167 (Recommendation 93).

¹⁰ The Marine Estate Management Authority's threat and risk assessment that informed the draft strategy identified urban stormwater discharge as the most significant environmental threat to the marine estate. The most significant threat to social, cultural and economic benefits of the marine estate was water pollution from urban stormwater discharge impacting environmental values.

3.3 Area of operations

Question 6 – Do you agree with our preliminary view to update the local government areas included in the area of operations and add a map to the licence?

The name and boundaries of many Local Government Areas (LGAs) in NSW were changed after Sydney Water's *Operating Licence 2015-2020* was issued. The list of LGAs in the licence defines our area of operations, and we agree it should be updated to reflect the new names and LGA boundaries.

Given that LGA names and boundaries are potentially subject to change, there may be advantages to including a note to this effect in the licence and / or including a supplementary reference to an alternative source that shows this information in real-time. For example, the website of the NSW Office of Local Government provides the capability for residents to find the LGA relevant to a property by entering its address.¹¹

Regarding a map, we've considered the feasibility of publishing a map in the licence. In practice, any map is likely to be illustrative only, and will not provide sufficient resolution to determine whether a property is in or out of our area of operations. As such, the benefits of including a map in the licence may be quite small.

As noted in Schedule 1 of the licence, our area of operations includes part of the Wingecarribee Shire Council. Sydney Water agrees that this reference could be ambiguous for customers, as the licence provides no further information on which parts of the LGA are included in our area of operations. Sydney Water has some operational assets that are inside the boundaries of Wingecarribee Shire Council, including the Nepean Water Filtration Plant. We also serve a small number of properties in Bargo, which is divided between Wingecarribee and Wollondilly councils. The area of operations in the Operating Licence therefore needs to include some form of reference to Wingecarribee Shire Council. We acknowledge that in other parts of Wingecarribee, the Shire Council provides water and wastewater services. This is like parts of Hawkesbury City Council, where some properties are provided with services by Council rather than Sydney Water. Despite these similarities, the current definition of our area of operations does not include a reference to 'part' of Hawkesbury City Council.

The current licence includes the following clauses:

- any area of land within a special area, deemed special area or controlled area which was continued in force by virtue of Part 2, Schedule 9 of the Act as at the date Sydney Water was established as a statutory state-owned corporation
- any area of land within an area declared or deemed to be a special area under section 21 of the Water Board Act 1987 (NSW) which is deemed to be a controlled area by section 88(3) of the Act.

Sydney Water considers that these clauses could be deleted from the area of operations definition. In practice, legislative amendments over time mean that Sydney Water no longer has responsibilities for any special areas, and the only remaining controlled area of relevance is Prospect Reservoir and land surrounding the reservoir.

However, this land is also located within the boundaries of a local government area, and is therefore already captured elsewhere within Schedule 1. Our authority to manage the Prospect Controlled Area does not derive from the Operating Licence, and as such removing it from the definition of our area of operations should have no practical effect. Schedule 1 also separately defines certain deemed areas, and there is no need to repeat this provision in the clauses we have proposed to delete.

¹¹ See the Office of Local Government website at www.olg.nsw.gov.au/find-my-council.

At this stage we have also proposed to remove the reference to Wingecarribee (Shire) (Part), and simply refer to Wingecarribee Shire Council in Schedule 1. Given the non-exclusive nature of the Operating Licence, and the fact that other councils currently also operate water and wastewater facilities within our area of operations, there doesn't appear to be any need to make a distinction in the case of Wingecarribee. However, Sydney Water will consider the full implications of this change and advise IPART of the outcomes of these investigations.

A proposed revised definition for our area of operations is provided in Appendix 2

3.4 Term of the licence

Question 7 – Do you agree with our preliminary view for a 5-year licence term? Do you have any views regarding the sequencing of licence and price review cycles?

Historically, the Operating Licence has been set for its maximum length of five years, while Sydney Water's price determinations have been typically set for a period of four years. This arrangement causes the review of both the Operating Licence and prices to occur in the same year once every 20-years.

This would have been the case for the existing review, had it not been brought forward by one year, with both the current licence and price determination set to end on 30 June 2020. It also means that in some years the review of the licence could occur after the review of prices. This is not optimal, as any changes to the licence are not able to be accounted for in the setting of prices for the next period.

In principle, we support a five-year licence term, given the purpose / objective of the licence is to establish minimum terms and conditions for the provision of services. We note that the Minister can also amend the Operating Licence at any time, including outside of the end-of-term review process. While our preference is for major changes to the licence to occur during the end-of-term review, which allows for public consultation and stakeholder input, this provides the Government with flexibility to amend the licence mid-term if needed to support a change in Government policy.

For the next Operating Licence, Sydney Water is proposing a term of four years, then reverting to a standard term of five years. In parallel, we will be seeking to move to a five-year price path from 1 July 2020. These arrangements would allow for better sequencing of licence and price reviews, separated by two years, from 2022-23 onwards. This will allow:

- time to ensure that any new licence requirements can be effectively budgeted for and included in the next price proposal
- more time to focus on developing and delivering strategies to better meet customers' expectations in between review cycles
- better alignment for a business based on long-term asset investments
- smoothing of resourcing impacts associated with the reviews.

Using this approach, there will be a two-year gap between the commencement of a new licence and a new price path. If licence requirements are introduced that cannot be funded under current prices, consideration would need be given to transitional arrangements. For example, delayed start dates for new requirements or methods such as a cost pass-through mechanism being included in price determinations for costs relating to new regulatory requirements.

Table 2 Timing of Operating Licence and pricing reviews – example of current state

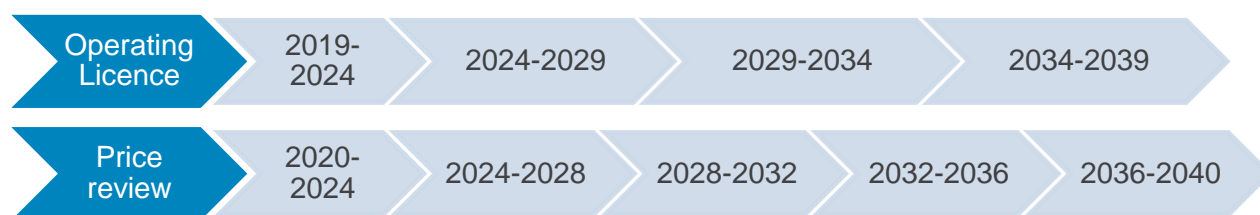
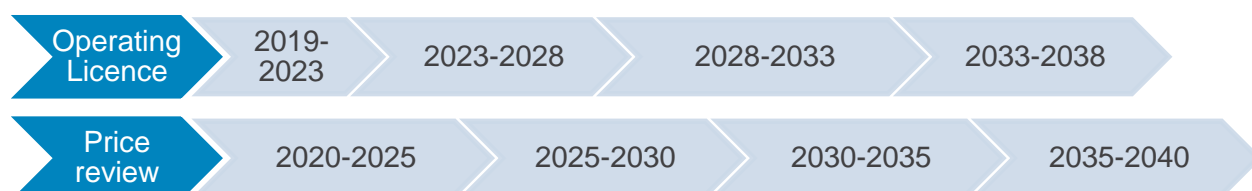


Table 3 Timing of Operating Licence and pricing reviews - example of preferred state



3.5 End of term review

Question 8 – Do you agree with our preliminary view to specify IPART as the person to undertake the end of term licence review?

We have no concerns with IPART being specified as the person to undertake the end of term licence review. It is logical and reasonable that the party responsible for assessing compliance with the licence undertakes the end-of-term review.

3.6 Non-exclusive licence and availability of licence

Question 9 – Do you agree with our preliminary view to retain the existing licence clause that clarifies that the licence does not prohibit any other person from providing services in Sydney Water’s area of operations (the non-exclusive licence clause), and also retain the existing licence clause that require Sydney Water to make a copy of its licence available to any person free of charge (the availability of licence clause)?

We are happy to support retaining these clauses.

3.7 Pricing

Question 13 – Do you agree with our preliminary view to maintain the existing pricing obligation?

We support retaining the existing pricing obligation.

4 Services to WIC Act licensees

4.1 Context

In 2017, IPART made a determination¹² setting the maximum prices that could be charged to wholesale customers for the supply of on-selling water, wastewater and trade waste services by Sydney Water. Under this determination, wholesale customers are limited to entities licensed under the WIC Act or who on-supply services to a licensed retail supplier under the WIC Act. On-selling services purchased from Sydney Water are then delivered to the private utility's end-use customers through private networks. This differs from third party access arrangements where a private utility would use part of Sydney Water's networks for certain functions, such as transporting wastewater to a privately-owned treatment plant, instead of building their own infrastructure.

History demonstrates that competition can take many forms. While the Issues Paper referred generically to WIC Act licensees, we assume that IPART's intent is to consider non-price terms and conditions for wholesale services provided to WIC Act licensees. We also assume that IPART is not seeking to create new obligations that relate to third party access requests, or for WIC Act schemes that do not rely on a wholesale service from Sydney Water. It would be helpful for this to be clarified.

Sydney Water currently has four agreements for the provision of wholesale services within our area of operations. We also have negotiated commercial contracts in place for some other WIC Act schemes that do not involve the provision of a wholesale service by Sydney Water, but relate to the delivery of services to Sydney Water. As shown in Table 4, most WIC Act schemes within our area of operations are 'stand alone' schemes that do not have a direct connection to Sydney Water infrastructure or require the provision of a wholesale service from Sydney Water.

Table 4 Different WIC Act schemes within Sydney Water area of operations

Scheme	Licensee / Owner	Interface with Sydney Water *
WIC Act schemes where Licensee provides services to Sydney Water		
Sydney Desalination Plant	SDP Pty Ltd	Various
Rosehill-Camellia	<ul style="list-style-type: none">• AquaNet Sydney Pty Ltd• SGSP Rosehill Network Pty Ltd• Veolia Water Australia Pty Ltd	Negotiated commercial contract
Bingara Gorge	<ul style="list-style-type: none">• Veolia Water Solutions and Technologies Pty Ltd• Lend Lease Communities (Wilton) Pty Limited	Negotiated commercial contract

¹² IPART 2017, Determination 17-04 *Maximum prices for wholesale water, sewerage and trade waste services from 1 January 2018 (excluding services provided to recycled water schemes)*. .

Scheme	Licensee / Owner	Interface with Sydney Water *
WIC Act schemes where Licensee does not receive wholesale services**		
Bingara Gorge	<ul style="list-style-type: none"> • Veolia Water Solutions and Technologies Pty Ltd • Lend Lease Communities (Wilton) Pty Limited 	Indirect via customer contract with property owner. Sydney Water supplies drinking water top-up services to the Recycled Water System only.
8 Chifley Square	Mirvac Real Estate Pty Ltd	N/A. WICA Licence cancelled in 2016.
Workplace 6	Aquacell Pty Ltd	N/A. WICA Licence cancelled in 2017.
Kurrajong	Aquacell Pty Ltd	Proponent still in planning phase.
Pitt Town	Pitt Town Water Factory Pty Ltd	Indirect via customer contract with property owner. Sydney Water supplies drinking water top-up services to the Recycled Water System only.
Botany	Orica Australia Pty Ltd	Indirect via customer contract with property owner. Sydney Water supplies drinking water top-up services to the Recycled Water System only.
1 Bligh Street	Aquacell Pty Ltd	Indirect via customer contract with property owner. Sydney Water supplies drinking water top-up services to the Recycled Water System only.
Darling Walk	Veolia Water Solutions and Technologies Pty Ltd	Indirect via customer contract with property owner. Sydney Water supplies drinking water top-up services to the Recycled Water System only.
Box Hill North	Flow Systems Operations Pty Ltd	Indirect via customer contract with property owner. Sydney Water supplies drinking water top-up services to the Recycled Water System only.
Green Square	Green Square Water Pty Ltd	Indirect via customer contract with property owner. Sydney Water supplies drinking water top-up services to the Recycled Water System only.
Schemes where Sydney Water provides wholesale services** to Licensee		
Central Park	Central Park Water Factory Pty Ltd	Utility Services Agreement covering wholesale water and wholesale wastewater services.
Discovery Point	Discovery Point Water Pty Ltd	Utility Services Agreement covering wholesale water and wholesale wastewater services.
Barangaroo	Lend Lease Recycled Water Pty Ltd	Utility Services Agreement
Shepherds Bay	Flow Systems Operations Pty Ltd	Utility Services Agreement covering wholesale water and wholesale wastewater services.

* For all schemes except for Central Park, Discovery Point and Shepherds Bay, Sydney Water also sells drinking water directly to the end-use customers.

** We have taken wholesale services to mean those of the type to which IPART's wholesale price determination currently applies, or to which could apply in the future under a scheme specific determination.

4.2 Obligation to provide services

Question 10 – Should Sydney Water be obliged to provide water and sewerage services to WIC Act licensees? What would be the long-term benefits to end-use customers?

Sydney Water is currently only required to provide water and wastewater services to properties. The terms and conditions under which Sydney Water will supply services are set out in our Customer Contract. For the non-standard services that we offer, Sydney Water may also enter into other agreements with property owners (eg, a trade waste agreement). As wholesale customers receive our services at a wholesale connection point for on selling, which is different to services provided to a property, the Customer Contract does not apply. For schemes that involve a wholesale service, Sydney Water has instead entered into negotiated agreements with the Licensee covering both price and non-price terms and conditions.

We are aware that customers may like more certainty about the availability of services, including the likely terms and conditions that would need to be met. Early visibility of the terms and conditions that are likely to apply could be of assistance to wholesale customers, allowing them to factor any potential costs or operational constraints into their decision-making. We are interested to hear stakeholder views on this area, and we would be concerned if participants say the absence of such certainty is a barrier to their market entry.

At the same time, Sydney Water has an obligation to protect the integrity of our networks, provide a safe working environment, and minimise costs for all customers. For example, while our Operating Licence contains obligations to provide services to properties wishing to connect to our systems (retail customers), Sydney Water is empowered to impose terms and conditions on the provision of those services. The ability to set terms and conditions on service provision is an essential element of any framework that seeks to ensure the economically efficient provision and use of infrastructure.

An extension of our obligations to provide services for the benefit of wholesale customers should be balanced by the recognition that Sydney Water also has obligations to our retail customers. Therefore, as is the case for the provision of services to retail customers, Sydney Water should have the ability to impose conditions to ensure the safe, reliable and financially viable supply of the services. To this end, we would support an operating licence obligation that mirrors Hunter Water's Operating Licence section 1.5.1 to 1.5.3 (see break-out box on next page).

These provisions of Hunter Water's Operating Licence are a suitable template for Sydney Water's licence because they clarify roles and responsibilities for both the utility and the wholesale customer. We support IPART's view that "this obligation removes the risk of Hunter Water refusing to deal with WIC Act licensees"¹³. In particular, we consider that this obligation appropriately balances the benefits of providing wholesale services to WIC Act licensees with the imperative of ensuring safe, reliable and financially viable supply. We also note that we are fully committed to ensuring we comply with competition legislation, to ensure that where new entrants can provide services that benefit customers, this can be pursued without hindrance or undue delay.¹⁴

IPART has also posed the question of whether an Operating Licence obligation is the most appropriate regulatory response to these issues. For example, an industry wide code of conduct, overseen by IPART, could be designed in such a way to provide a level of certainty about the provision and on-going availability of services by upstream service providers such as Sydney Water. Establishing an industry wide code of conduct may achieve the desired response(s) from Sydney Water, while also encouraging wholesale customers to play their part in the process.

¹³ IPART 2018, *Review of the Sydney Water Corporation Operating Licence Issues Paper*, IPART, Sydney, p 37.

¹⁴ Including the *Competition and Consumer Act 2010* (Cth) and the *Water Industry Competition Act 2006* (NSW).

IPART should consider the benefits and costs from the perspective of all parties before changing the provisions of our Operating Licence. All parties, from the incumbent utility, to potential wholesale customers, and end-use customers will benefit from well-designed regulatory provisions that promote efficient provision of infrastructure. We support a regulatory framework that promotes efficient market entry, where any regulatory requirements are demonstrated to be best practice regulation against the criteria set out in IPART's Best Practice Licensing Framework¹⁵.

It is not clear to us that enough wholesale service arrangements have yet been agreed with WIC Act licensees to have a definitive view of what the best arrangements are. We are seeking to engage with current wholesale customers to understand their needs and expectations on issues such as service standards and information provision. We will keep IPART updated on the outcomes of these discussions.

Hunter Water's Operating Licence, Section 1.5.1 to 1.5.3

1.5.1 Subject to Hunter Water continuing to comply with any applicable law, Hunter Water must provide the Services on request to any Property situated in the Area of Operations which is connected to or, for which a connection is available to:

- a) in the case of supplying water, the Water Supply System; and
- b) in the case of providing sewerage services and/or disposing of Wastewater, the Sewerage System.

1.5.2 Subject to Hunter Water continuing to comply with any applicable law, Hunter Water must provide the Services on request to any WIC Act Licensee for ultimate end-use within the Area of Operations, where the WIC Act Licensee is connected to, or where a connection is available in respect of that WIC Act Licenses to:

- a) in the case of supplying water, the Water Supply System; and
- b) in the case of providing sewerage services and/or disposing of Wastewater, the Sewerage System.

1.5.3 Hunter Water may impose any lawful conditions it sees fit on the making available of Services under clause 1.5.1 or clause 1.5.2, to ensure the safe, reliable and financially viable supply of the Services in accordance with this Licence

Source: Hunter Water *Operating Licence 2017-2022*, page 5.

On a point of drafting, Hunter Water's licence uses different wording to Sydney Water's for its clauses relating to providing services to properties and WIC Act licensees. We would prefer Hunter Water's wording to be used in our Operating Licence. The words "or, for which connection is available to" set an appropriate scope for these obligations. This would reduce the risk of Sydney Water being required to carry out potentially costly planning feasibilities to determine the financial feasibility to connect a property or WIC Act scheme, even though it may be distant or remote from existing or proposed new systems. There is no possibility for Sydney Water to recover its planning costs if a property owner or WIC Act licensee chooses not to connect because of the costs involved to the property owner.

¹⁵ IPART 2013, *A best practice approach to designing and reviewing licensing schemes*, prepared by PricewaterhouseCoopers, IPART, Sydney.

4.3 Additional obligations to service WIC Act licensees

Question 11 – What are your views on imposing licence obligations on Sydney Water to service WIC Act licensees or potential competitors, such as specifying minimum service standards, prescribing a negotiation process with or without a dispute resolution process, and requiring Sydney Water to disclose certain information? What are the long-term benefits to end-use customers?

As discussed in our response to Question 10, we can see merit in an Operating Licence obligation to provide services to wholesale customers, if it is well designed and recognises the need for safe, reliable and financially viable provision of services. In our view, additional licence obligations, such as minimum service standards or an obligation to negotiate, could unnecessarily constrain commercial negotiations between Sydney Water and potential wholesale customers.

Service standards

Our current preference, subject to the feedback we receive, is to allow service standards, and other non-price terms and conditions, to be negotiated on a case by case basis. This approach gives both parties the flexibility to propose and negotiate service standards and other situation-specific conditions that are tailored to the wholesale scheme, rather than using a 'one size fits all' approach. If IPART considers that service standards should be specified, we prefer that they are used as a starting point for negotiation, rather than a minimum set of requirements. Imposing minimum requirements without exploring customer preference or efficient costs is unlikely to bring service benefits nor foster innovation.

As noted earlier, not all WIC schemes involve a connection to Sydney Water infrastructure and it has not been necessary to specify service standards for any existing scheme. For WIC schemes where an agreement is considered necessary, we have typically started with a template services agreement and made modifications as necessary to suit the specific circumstances of each contract. The agreement mirrors many of the provisions of our Customer Contract, as well as other important terms and conditions based on our experience with previous schemes.

Negotiation and dispute resolution processes

We have always negotiated in good faith with WIC Act licensees and prospective wholesale customers and have formed mutually agreed terms and conditions for utility service agreements, where these have been needed. Sydney Water does not consider there is a need to provide additional obligations in our Operating Licence to facilitate the negotiation of utility services agreements with wholesale customers. We again note that any obligation in our Operating Licence would only apply to Sydney Water, with no corresponding obligations on WIC Act licensees or other potential wholesale customers. A more effective outcome could potentially be achieved through other regulatory responses.

The WIC Act provides for dispute resolution and complaints handling processes in relation to third party access requests. Given the different nature of these requests, applying a similar framework to wholesale requests may not be fit-for-purpose. While there may be benefits in developing dispute resolution processes that are better suited to the nature of wholesale schemes, we suggest this would be better addressed outside our licence such as through an industry code of conduct or guidelines developed and maintained by IPART.

Given the small number of negotiations likely to occur over the next five years, the administrative effort required to develop and oversee such processes may not be warranted.

Information disclosure

In principle, we support disclosing additional information to assist potential competitors enter the market, where doing so would support the objectives and licensing principles of the WIC Act.¹⁶ However, any additional information requirements must be assessed against IPART's best practice regulation principles including a cost benefit analysis. In addition, provision would need to be made to ensure that there are appropriate protections in place for intellectual property and other commercially sensitive or proprietary information. In many situations, it is conceivable that Sydney Water could be in direct competition with other potential service providers and the publication of certain information could place us at a significant competitive disadvantage.

We have begun investigating what type of information could be made available to assist potential wholesale customers and/or access seekers. This could include:

- information on the nature of current capacity constraints
- future capacity constraints for which investments are needed, and
- a range of likely avoidable costs of alleviating/deferring constraints to signal to potential competitors where there may be opportunities for efficient investment in recycled water within our system.

Our program involves:

1. identifying existing information that we have prepared for internal planning purposes.
2. seeking to engage with WIC Act licensees and other potential new entrants to determine their preference with regard to type and format of information.
3. assessing what systems, processes and resources would be needed to develop, maintain and publish this information on an on-going basis.

We have also investigated the option of estimating a long run marginal cost (LRMC) for each of our wastewater systems. We do not consider that this would provide a useful signal for wholesale customers. While LRMC is theoretically a proxy for system constraints, it is not an appropriate signal for efficient third party investment by wholesale customers in practice. This is because:

- any estimate of LRMC is inherently uncertain
- LRMC estimated for an entire wastewater system, rather than for a specific location would be an average and so would encourage entry in all parts of that system, regardless of whether that entry actually resulted in avoided costs which in turn results in lower prices and/or better services to end-use customers over the long-term
- LRMC data is not durable and would need to be updated frequently.

Publishing averaged-system-based LRMCs would be very costly for us to prepare and maintain, could be misleading to competitors, and, given the inherent uncertainties, would likely result in inefficient investments.

Options and evaluation criteria

Question 12 – What are your views on the four options presented in the Issues Paper to include a new obligation on Sydney Water to provide services to WIC Act licensees and the evaluation criteria to assess these options? Do you have any inputs relevant to our evaluation of options for licence obligations?

As discussed in response to Question 10, we see some merit in an obligation to service WIC Act licensees.

¹⁶ Water Industry Competition Act 2006 (NSW), section 7.

We consider that Option 1 provides sufficient certainty for wholesale customers regarding the availability of services, while also allowing all parties flexibility to negotiate and tailor service standards and other commercial outcomes to the project.

We note that IPART has defined a set of option evaluation criteria, adapted from the telecommunications industry. IPART states that it will have regard to how the options meet the objectives of:

- promoting competition in markets for the services, or services provided by means of those services. Including reducing barriers to entry and promoting standards of quality, reliability and safety of the services.
- encouraging the economically efficient use of, and economically efficient investment in, infrastructure by which the services are supplied. This may include improving transactional efficiency (reducing cost of negotiation, information search, developing contracts or other aspects) and regulatory efficiency (reducing the costs for regulation).¹⁷

While these criteria are likely to lead to sensible amendments to our Operating Licence, we prefer that IPART uses its best practice framework set out in Chapter 2 of the Issues Paper¹⁸. This would ensure that a clear and consistent set of guiding principles is used to assess amendments to the Operating Licence.

Below is further information in response to IPART's questions on page 43. Other questions appear to be more directed to other market participants, rather than Sydney Water.

1. Costs and/or benefits (quantitative and qualitative) in negotiating a services agreement with Sydney Water. Is there any evidence of Sydney Water exercising market power to deter potential competitors?

Sydney Water estimates it cost us in the order of \$1 million to prepare our standard Utility Services Agreement template. Each time we have negotiated a USA with a Licensee it has also required additional time and resources. Later schemes have taken significantly less time to agree than earlier schemes. We believe this was by and large due to earlier uncertainty about the regulation of wholesale prices.

2. Number of services agreements that WIC Act licensees and Sydney Water have negotiated to date. How many services agreements might be required in the next five years?

We currently have four agreements in place. We have not been asked to enter any more wholesale services agreements, nor are we aware of any future plans by any entity to purchase wholesale services at any other locations within our area of operations.

IPART may wish to examine the costs and benefits of their proposals by testing them under a range of market uptake by Licensees.

Sydney Water used four scenarios to compare the likely impact of IPART's wholesale pricing determination.¹⁹ The assumptions used in those scenarios might shed some light as to the likely range of costs and benefits expected. We note however that the high scenario we provided for comparison purposes is very unlikely, and would suggest a scenario closer to the assumptions used in the base case or static scenarios is more plausible, given the current number and lack of requests for new wholesale schemes. We note that only WIC Act schemes which wish to purchase wholesale services are relevant here, not the entire WIC Act market.

¹⁷ IPART 2018, *Review of the Sydney Water Corporation Operating Licence Issues Paper*, IPART, Sydney, p 42.

¹⁸ *ibid.* p 21.

¹⁹ Sydney Water 2017, *Sydney Water's Response to IPART's Wholesale Pricing Supplementary Draft Report and Determination*, Sydney Water, Sydney, Appendix A, Table 3.

6. Are there any other barriers for potential competitors to enter the market? What are the extent of such barriers, in stakeholders' experience?

As Sydney Water has noted in previous public submissions,²⁰ a potential barrier to competition in NSW is the setting of water, wastewater and stormwater developer charges to zero (developer charges are still in place for recycled water). Accordingly, Sydney Water recovers the costs of growth from its general customer base, rather than from developers. This means that those benefitting from the growth infrastructure do not pay for the full cost of those services.

Re-introducing developer charges may benefit competition by creating a more level playing field between incumbents and private utilities. These developer charges would need to be simple, easily understood, fair and encourage sustainable development. This would encourage new entry where private utilities can service a new development more cheaply than the incumbent.

Existing code of conduct obligation

We would be happy to retain the existing obligation in clause 5.8, regarding cooperating with WIC Act licensees to establish a code of conduct of a kind referred to in clause 25 of the WIC Regulation. Clause 25 of the WIC Regulation provides that the Minister may establish a generic water industry code of conduct. However, to date, this has not occurred. In the absence of such a code, the Minister has typically included a WIC Act licence condition that each network operator and retail supplier must establish such a code with the relevant public utility, where there is a connection with the public water utility's infrastructure.

Sydney Water supports the intent of these codes to provide clarity on roles and responsibilities of different parties where there is an interconnection of infrastructure. To date, we have only had one instance of a WIC Act licensee requesting a code of conduct. For other WIC Act schemes, there is either no direct connection to Sydney Water infrastructure, or coordination protocols are dealt with via our Utility Services Agreement with the WIC Act licensee. IPART endorsed this approach as part of our 2016-17 operational audit.

We support this requirement remaining as a best endeavours obligation, with the onus of seeking to establish a code remaining on the WIC Act licensee. This appropriately limits the licence obligation to actions within Sydney Water's control, and will not require Sydney Water to establish codes of conduct with schemes where it would not be needed (for example, where there is no direct connection to Sydney Water's infrastructure).

²⁰ Sydney Water 2017, *Response to the Productivity Commission's National Water Reform Issues Paper*, Sydney Water, Sydney, p 8.

5 Water conservation

Question 14 – Do you agree with our preliminary view to maintain the requirements to implement and report on water conservation program consistent with its economic level of water conservation in accordance with the ELWC method, but to remove fixed targets for water usage and water leakage (which were phased out in the existing licence term) and remove the obligation for Sydney Water to notify and obtain IPART’s approval of any proposed significant change to the ELWC method? Should the licence contain any additional obligations relating to water conservation activities?

5.1 Economic level of water conservation methodology

We support maintaining the Economic Level of Water Conservation (ELWC) approach adopted in the last licence review. The new ELWC methodology promotes economically efficient decisions in water conservation which can consider social and environmental costs and benefits balanced against the cost of the program. It is also adaptable, meaning that we are prepared for a range of dam levels, demand conditions, and climatic factors.

The ELWC methodology is designed to promote economically efficient investment in water conservation, including water efficiency, leakage and recycling. It evaluates whether the cost to society of a water conservation project is less than the value of water it saves. If so, it is considered economically efficient. Once we have determined if our projects are economically efficient, we calculate our ELWC. We calculate the ELWC by adding the total amount of water that could be saved during the five-year program across all the economically viable and available projects, then converting this volume to an average ML/day basis.

The ELWC methodology only considers new and ongoing water conservation programs. It does not consider ongoing savings from previously completed programs, even though these may be significant.

Now that the methodology has been developed, the existing licence clauses regarding its development, as well as the transitional obligations including fixed targets for water use and leakage can be removed (existing clauses 3.2.1 – 3.2.3, and clause 3.2.5).

We support a requirement to review the methodology within the next licence term. This will provide an opportunity to ensure the methodology is working in practice and is meeting its intended objectives.

5.2 Water conservation reporting

We support maintaining licence requirements to publicly report each year on our water conservation activity. This is important in terms of transparency and accountability to our customers, the community and our stakeholders.

Our rolling five-year Water Conservation Plan outlines our water conservation programs in three main areas: water efficiency, water leakage and water recycling. The plan also includes information about projects that may be implemented at a later date, depending on future dam levels, projects that conserve water for reasons other than water efficiency, such as commercial offerings and social programs for our customers in hardship, and research and capability building initiatives.

Our first Water Conservation Plan that was aligned with our new ELWC methodology was released in September 2017. It included a range of water efficiency and active leak detection programs. The ELWC for our 2017-18 program is 23.5 ML/day. This was based on a short run value of water estimated in January 2017 of \$0.56/kilolitre (kL), and a long-run value of water of \$2.04/kL (our retail usage price of water in 2017-18).

As we prepare our 2018 Water Conservation Plan, Sydney Water is reviewing its existing conservation programs and developing new opportunities, to ensure we are well prepared to implement more activity when needed. We have also updated the value of water to use in the next Water Conservation Plan. We have calculated the value of water from 5 July 2018, the date of the first verified water storages report for the financial year. While in our first year we used a value of water calculated in January, so that it reflected our planning processes from the previous year, this year's calculation reduces the potential difference in dam levels between when the value is calculated and the annual update of the plan. The short-run and long-run values of water we will use for the 2018-19 plan are \$1.28/kL and \$2.08/kL respectively.

Implementation of the Water Conservation Plan

On a drafting matter, IPART's Issues Paper seeks stakeholder views on maintaining requirements to "implement and report on Sydney Water's water conservation program consistent with its economic level of water conservation" (emphasis added). We note that the current licence does not include any implementation requirements. Rather, we must report on water conservation, in accordance with the Reporting Manual.

Section 3.2.1 of the Reporting Manual includes the following condition (emphasis added):

Once the Methodology is approved by IPART (under clause 3.2.3 of the Licence), the Water Conservation Report must:

- *describe and explain Sydney Water's progress against each of the elements of its water conservation program for the previous financial year (or for the period the Methodology was approved if approved during that financial year), **including any deviations from this program***

Our interpretation of this requirement is that it allows for some flexibility in implementing the Water Conservation Plan, where departures from the program may be justified. For example, our Waterfix Residential program has been operating as a commercial service since 2011. The program has had stable but relatively low customer demand for the last three years, and will be put on hold from August 2018 while we review our offering to customers. We would be happy for implementation requirements to be clarified in the next Operating Licence, if this is not the intention.

5.3 Additional water conservation obligations

IPART has also sought comment on the need for any additional obligations relating to water conservation activities. The current 'Water quantity' section of the licence includes requirements relating to Sydney Water's involvement in metropolitan water planning. Metropolitan water planning is critical to ensure a sustainable source of water supply to our customers. Apart from providing key inputs such as demand forecasts, investment in water conservation and contributing to the Water Smart Cities Program²¹, our participation is also important to ensure any revised plan considers whole of water cycle management, community and stakeholder engagement, interactions with Sydney Water's environmental requirements and clear accountabilities and responsibilities.

²¹ The Water Smart Cities Program is led by the Department of Planning and Environment.
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There could be value in the licence retaining a reference to metropolitan water planning, and Sydney Water's role within it. For example, a best endeavours requirement to participate in metropolitan water planning processes. This would reflect the importance of Sydney Water's role in this function, as well as community and customer expectations.

Concern about water security and ensuring a sustainable future water supply was a recurrent customer priority that emerged, unprompted, from Phase 1 of Sydney Water's 2018 customer engagement program. It was clear from discussion at customer forums that customers thought that Sydney Water should be involved in long-term supply security planning processes; in fact, most assumed it was a sole Sydney Water responsibility.²²

What customers think about water supply security

In recent engagement with customers, water supply security was consistently ranked as a highly valued outcome. Participants in customer forums were concerned about population growth to date, and expected growth over the next ten years.

Customers wanted reassurance that Sydney Water is focussed on the future and preparing for the increase in future demand. They believed this involved replacing old infrastructure, ensuring the network is capable of withstanding increased pressure and considering a variety of water supply options for the future (including dams, desalination and recycling).

Customers also stated they would like Sydney Water to ensure water is conserved or used efficiently, and that more recycled or grey water be used where it can be, rather than drinking water.

A generic requirement avoids the potential for the obligation to become out-dated, in the event of changes to the urban water planning framework over time. While this function goes beyond water conservation, it probably best fits within the Water Conservation section in IPART's proposed amended licence structure.

The adaptive management approach described in the Metropolitan Water Plan will see it regularly adjusted or reviewed. The Department of Planning and Environment (DPE) is currently reviewing metropolitan water planning processes and a new governance model may emerge. We would be open to considering more specific requirements about Sydney Water's role in or inputs to metropolitan water planning processes, once future arrangements are determined by Government.

²² The Centre for International Economics 2018, *Final Report Customer-informed IPART submission (CIPA) Phase 1*, prepared for Sydney Water, The Centre for International Economics, Canberra, p 51.

6 Water quality

6.1 Drinking water quality

Question 15 – Do you agree with our preliminary views to:

- *maintain the existing obligations for drinking water quality but remove duplication in the obligations?*
- *move the requirements in Appendix F (Health and aesthetic water characteristics and raw water operational characteristic) from the existing Reporting Manual to a reporting schedule under the Drinking Water Quality Management System required by the licence?*

Systems approach

One of Sydney Water's principal objectives under the *Sydney Water Act 1994* is to protect public health by supplying safe drinking water in compliance with the requirements of the Operating Licence. Water quality is also a top priority for our customers (see break-out box below).

We support continuing a management system requirement in the Operating Licence linked to the *Australian Drinking Water Guidelines 2011* (ADWG) and subject to the satisfaction of NSW Health. The ADWG plays an important role in guiding the design and implementation of a preventive risk management approach from catchment to consumer, to ensure drinking water is safe. As confirmed by operational audits, our Drinking Water Quality Management System (DWQMS) is established in line with the ADWG. Under this system, we have continuously provided high quality and safe drinking water.

Establishment of a system in line with the ADWG Framework is also required under the *Public Health Act 2010* (the Public Health Act) in the form of a Quality Assurance Program (QAP). As this is already met via our Operating Licence, NSW Health has always exempted Sydney Water from the Public Health Act QAP requirements for the duration of the relevant Operating Licence. Any change to the Operating Licence water quality clauses should not be inconsistent with being able to remain exempt from the QAP requirements of the Public Health Act, to avoid unnecessary regulatory duplication.

Approval and satisfaction mechanisms

We do not agree with IPART's preliminary view that clauses 2.1.3 and 2.1.4 are duplicative. We see the role of NSW Health providing approval for proposed significant changes to the DWQMS to be distinct from implementing an established system to NSW Health's satisfaction. This is because:

- Clause 2.1.1 does not furnish an obligation to gain NSW Health approval for the constitution of our DWQMS
- Clause 2.1.2 only relates to the implementation of the constituted system. In practice, this occurs after any changes or activities are implemented (that is, a backward-looking review mechanism)
- Clauses 2.1.3 and 2.1.4 allow respectively for the notification of, and NSW Health approval of, proposed significant changes to the constitution of the DWQMS, prior to their implementation (that is, a forward-looking approval mechanism)

A significant change to the DWQMS, such as the establishment of a new water supply scheme, may take years to plan and involve substantial capital expenditure. To be most efficient, approval by NSW Health should occur before the change is implemented, rather than afterwards.

To date, Sydney Water has not invoked clauses 2.1.3 (meaning clause 2.1.4 has also not been used). Since the commencement of this clause, in our view, we have not proposed to make significant changes to our DWQMS. However, this does not mean the clauses are redundant. If clause 2.1.4 was removed, clause 2.1.2 would be solely relied upon for forward-looking oversight. As NSW Health typically relies on the outcomes of the operational audit to determine its satisfaction with the implementation of the DWQMS, satisfaction with a significant change may not be confirmed until well after the change has been implemented.

The ADWG is not a standard and its implementation is largely scheme-specific. New schemes will not necessarily have all the same features or practices as our existing schemes and the specific measures needed for a new scheme could be viewed as a significant change to the management system. This could result in a situation where Sydney Water interprets the ADWG differently to the expectations of NSW Health. Without a forward-looking approval mechanism, we may not become aware of this until after a new scheme has become operational and included in an operational audit. This may be years after the event and require major rework. Prior approval from NSW Health, under a mechanism such as clause 2.1.3, would seem a preferable approach.

We feel that maintaining the current conditions would benefit all parties by providing a mechanism for the assurance of the appropriateness of significant changes before they occur, rather than waiting for post-implementation review via the operational audit process.

Roles and responsibilities

There is a general need to have better clarity on roles and responsibilities implicit in the Operating Licence water quality conditions. As noted above, the ADWG provides flexibility to tailor management practices depending on the context. We understand that the intention of licence conditions relating to the satisfaction of NSW Health was to allow for potential variances between our DWQMS and guidance provided in the ADWG to be discussed with NSW Health. This would provide a way of checking whether the variance would be material from a public health perspective. In practice, this does not appear to have occurred in recent operational audits. Rather, auditing teams have monitored the 'to the satisfaction of NSW Health' component as a largely separate and almost stand-alone requirement. The auditing team will then make their own assessment of whether they consider the implementation of our DWQMS adheres to the auditors' interpretation of the ADWG. Sydney Water has found that auditing teams can have substantially different interpretations of the ADWG from year to year, which may also differ from NSW Health's interpretation.

Clauses 2.1.3 and 2.1.4 could be used to help reduce auditing burden and uncertainty, by confirming that the intent of these clauses is to ensure our DWQMS is agreeable to both NSW Health and Sydney Water. In effect, this could operate in a similar manner to the approval to operate provided via WIC Act operational approvals.

We will discuss our views with NSW Health and are happy to discuss this further with IPART.

Reporting requirements

We report on the outcomes of the DWQMS in accordance with the Reporting Manual.

During the current term, Sydney Water worked with NSW Health and our Customer Council to review our public reporting on water quality, with the view of making it more targeted and easily accessible to stakeholders. The review considered the frequency of reporting and which water quality parameters were of most interest.

As a result of the review, we proposed that we:

- improve the accessibility of the *Quarterly Drinking Water Quality Report* by focusing website results based on address search
- ‘layer’ aspects of the *Quarterly Drinking Water Quality Report*, with:
 - Layer 1 containing water quality parameters of particular relevance or customer interest, in the form of a user-centric web-based report
 - Layer 2 providing further detailed information. Our review initially recommended updating this information annually. However, after further consideration, we have recognised that updating this information quarterly would better align with our requirements under the *Sydney Water Act 1994*²³
- include the content of information reported as part of the DWQMS, so that it could be amended over time, while remaining subject to the satisfaction of NSW Health
- continue to issue information with customer bills on a quarterly basis that includes a summary of the safety of drinking water during the previous quarter.

We are planning to implement our new reporting approach from the first quarter of 2018-19. Our new approach will improve public reporting by highlighting parameters that customers and stakeholders are interested in, in ways that are more easily understood and accessible to members of the public.

IPART’s preliminary views appear to be consistent with the outcomes of our review, and our new reporting approach. We support moving the requirements in the existing Appendix F to a reporting schedule under the DWQMS. For clarity, we also propose including an explanatory note to section 2.1.1 of the Reporting Manual, along the following lines:

In line with Operating Licence clause 2.1.2, the characteristics that the Drinking Water Quality Management System specifies for inclusion in the Quarterly Water Quality Monitoring Report are to be to the satisfaction of NSW Health.

Clean, fresh, safe drinking water quality is our customers’ number one priority

In our recent customer engagement program, we asked participants to identify outcomes from a water and wastewater utility that were most important to them. Clean, fresh, safe drinking water was consistently identified as the number one priority across all demographic groups and in both prompted and unprompted exercises.

Discussion at forums and small groups indicated that most customers thought that Sydney Water is performing well with regards to quality of drinking water, particularly customers who had experienced living in other parts of Australia or the world. There was a strong desire for this to continue.

Customers and stakeholders consistently score Sydney Water highly for drinking water quality. In our latest Residential Sentiment Monitor, residential customers rated Sydney Water at 8.0 out of 10 for quality drinking water. This was the highest score across all the metrics surveyed. In our latest Stakeholder Perceptions Survey (covering a mixture of businesses, contractors, industry groups and government organisations) Sydney Water’s water quality was rated even higher, at 9.0 out of 10.

²³ The *Sydney Water Act 1994* (the Act) also contains obligations to report on drinking water quality. In practice, obligations for the *Quarterly Drinking Water Quality Report* under the Reporting Manual and the *Consumer Confidence Report* under section 101 of the Act are fulfilled by the same report alongside associated published materials.

Recycled water quality

Question 16 – Do you agree with our preliminary view to maintain the existing obligations for recycled water quality but remove duplication in the obligations?

Systems approach

We support continuing a management system requirement in the Operating Licence linked to the Australian Guidelines for Water Recycling (AGWR) and subject to the satisfaction of NSW Health.

The AGWR provides guidance on the design and implementation of a preventive risk management approach, to ensure recycled water is used in a manner that is fit for purpose. As confirmed by operational audits, our Recycled Water Quality Management System (RWQMS) is established in line with the AGWR.

Approval and satisfaction mechanisms

In line with our comments on drinking water quality management, we do not agree that clauses 2.2.3 and 2.2.4 are duplicative of other clauses. We see the requirement to obtain NSW Health approval for any proposed significant changes to the RWQMS to be distinct from our implementation of the established system to the satisfaction of NSW Health.

Definition of AGWR

In addition, we are proposing that the Operating Licence include a more comprehensive definition of the AGWR, by including reference to Phase 2 of the AGWR. We also propose to allow for the application of other water recycling guidelines as deemed appropriate by NSW Health. For example, the revised Operating Licence might define AGWR as “Australian Guidelines for Water Recycling (including any applicable phases), and / or any other water recycling guidelines developed or deemed appropriate by NSW Health”. The precise wording should be a matter for consultation with NSW Health.

This change would allow for potential future situations where Sydney Water may operate schemes with end-uses beyond those covered in AGWR Phase 1. For example, Sydney Water may need to take on the role of operator of last resort for WIC Act licensed schemes.

Roles and responsibilities

As has been discussed in our response on drinking water, there is a general need to have better clarity on roles and responsibilities implicit in the Operating Licence water quality conditions.

6.3 Fluoridation code

Question 17 – Given that the Fluoridation of Public Water Supplies Act 1957 and the Fluoridation of Public Water Supplies Regulation 2017 requires Sydney Water to fluoridate drinking water, what are your views on maintaining or removing fluoridation obligations in the licence?

In the last Operating Licence review, NSW Health supported retaining fluoridation requirements, as it felt that the Operating Licence is an appropriate mechanism to set out key government requirements of public interest in a succinct and accessible form. We are happy for this arrangement to continue.

Retaining the clause in the licence also allows an opportunity for regular, independent auditing. Notwithstanding the quality assurance and auditing requirements in the Fluoridation Code, including fluoridation requirements in the Operating Licence means that they are subject to a regular, independent auditing program. This is beneficial given the nature of the activity, and provides further assurance to the community about public health related management activities.

Following last year's operational audit, Sydney Water developed an action plan to address recommendations relating to the Fluoridation Code, in consultation with NSW Health. This process initiated further discussion and identified improvement opportunities that NSW Health will consider in the next review of the Fluoridation Code of Practice. Ongoing audits carried out by Sydney Water in consultation with NSW Health will help to ensure we continue to meet the Code of Practice and our Operating Licence obligations.

7 System performance standards

Question 18 – Do existing System Performance Standards measure the most appropriate and relevant service outcomes? Are they specified in the best way to provide cost-effective service outcomes?

Question 19 – Do you agree with our preliminary view that we should use an economic approach to setting System Performance Standards that takes account of the value that customers place on the level of service?

7.1 IPART's preliminary views

IPART's preliminary view is that they should revise the system performance standards in the Operating Licence to reflect customers' preferences and the value they place on the service outcomes Sydney Water provides, and balance these against the cost of service provision.

The Issues Paper also suggests two reasons why the standards do not appear to be well designed. Firstly, IPART notes there is no evidence they reflect customer preferences or willingness to pay for certain service levels. Secondly, as performance on some of the standards is very good, IPART is concerned that threshold limits are either set too high, or that performance is the result of unnecessarily high expenditure.

Our over-arching views on potential changes to the system performance standards are:

- Current standards for water interruptions and wastewater overflows cover aspects of service performance that our customers care most about.
- We manage our assets according to their lowest life cycle cost to ensure we achieve our service objectives, including meeting Operating Licence limits. This means that sometimes there is a margin between actual performance and our licence threshold. This reflects that the licence condition may not be the primary or only driver affecting performance.
- General feedback from our customers suggests that they are happy with our current levels of service. However, we acknowledge that there is room to further explore this area with customers, and improve how the standards are set.
- Threshold levels for the water continuity and wastewater overflow standards can be reviewed using an economic approach incorporating how customers value each service. We outline our proposed approach in this submission, and have begun work to help to inform this licence review. The process used should recognise the external factors that impact performance, as well as other service considerations, the assets in place and the practical realities of delivering services. It also needs to be transparent and allow for results to be validated with customers.
- Other elements of the standards that could be considered within the timeline of this review, include:
 - changing target performance levels to (say) 5-yearly rolling averages
 - expressing target performance levels as a 'percentage of properties supplied' rather than an absolute number of properties.

This is particularly important if IPART wishes to use the standards more as a performance driver, rather than a minimum service guarantee.

- We are open to considering further changes to the standards in the future.

7.2 Background on the current standards

There are currently five system performance standards (SPS) in our Operating Licence relating to three types of events.

The water continuity standard comprises two measures covering both single and repeat events. In a financial year:

- no more than 40,000 properties experience an unplanned water supply interruption that lasts for more than five hours, and
- no more than 14,000 properties experience three or more unplanned water supply interruptions that each lasts more than one hour.

The wastewater overflow standard comprises two measures covering both single and repeat events. In a financial year:

- no more than 14,000 properties (other than public properties) experience an uncontrolled Wastewater overflow in dry weather, and
- no more than 175 properties (other than public properties) experience three or more uncontrolled wastewater overflows in dry weather.

The water pressure standard relates to single events only. In a financial year:

- no more than 6,000 properties on our drinking water supply systems to experience a 'water pressure failure'.

A water pressure failure is where a property experiences a pressure of less than 15 metres head continuously for 15 minutes or more, at the point of connection to our system. Properties affected are only counted once per year, even if there are multiple events, and pressure failures relating to operational events or water main breaks are excluded. The current water pressure standard does not allow chronic pressure issues to be identified.

At the last Operating Licence review, the threshold limits in the standards were not changed; however, events caused by third parties were excluded from the water continuity standard.

In 2010, the threshold limit for the wastewater overflow standard was reduced and 'multiple occupancy properties' were to be counted as one property for each event.

None of the standards have been breached since they were last changed in 2010; however, performance against water continuity (single events) has come close to its threshold limit in 2014-15 and 2017-18. For 2017-18, this is partly the result of increased pipe leaks and breaks, following prolonged dry weather.²⁴

Traditionally, we have viewed the system performance standards as minimum standards, designed to protect customers and consumers from reductions in service levels (a safety net type concept). The fact that the levels were initially set with some allowance for weather driven risk seems to support this interpretation. However, the Issues Paper appears to imply that the standards should act more as performance targets to be met, rather than minimum levels to be complied with. If the intention is for the standards to provide targets, consideration will need to be given to how compliance is measured and what risks are being assessed. Sydney Water should not be judged as non-compliant with its licence if expected to target a level of performance, and then misses that target due to risks such as adverse weather. As discussed below, performance is influenced by numerous factors, and can vary year on year.

²⁴ 2017-18 also included some unusually large events that impacted a relatively high number of properties per event.

7.3 Context for system performance

In practical terms, delivering water and wastewater services involves much more than delivering an outcome under a single SPS measure. Rather, performance against a particular measure is usually the result of a combination of interacting factors.

The delivery of a 'level of service' for a 'cost' at each property depends upon location, time of day, urban density and weather patterns – it is not simply a function of the condition of assets. This means that cost and service level relationships for water continuity and wastewater overflows are not straightforward to derive. In reviewing system performance standards, it is important to note that performance against our current standards is also affected by:

- our asset management strategy, where the lowest cost asset management approach may lead to better performance than the licence threshold for a particular standard
- other obligations and requirements, such as our Environment Protection Licence requirements, and requirements for road access and remediation
- uncontrollable factors, which can cause performance to vary year on year, even when a very similar asset management and operational strategy is applied. These include the impacts of increased development activity around our assets – for example poorer access for repairs.

We choose asset management strategies based on efficient lifecycle costs, with a check to ensure that the resulting strategy allows us to meet licence obligations.

In some situations, efficient asset management can lead to performance that is much better than a licence threshold. This should not be interpreted as 'over-servicing'. Conversely, allowing performance to deteriorate to a level close to the licence threshold can be inefficient. For example, more asset failures can lead to higher overall costs if replacement costs are outweighed by the costs of more site attendances to make the area safe, clean-up, repair and restore. Asset failures are also not constant year on year, either in terms of number or location. This illustrates how it is incorrect to conclude that good performance with respect to SPSs must be the result of unnecessarily high expenditure.

The most influential external factor relating to performance is weather, particularly for the water continuity and wastewater overflows standards. Longer term planning assumes average weather conditions, with some tolerances for the potential impacts of extremes. Specific examples of these effects are provided in the below sections relating to individual standards.

7.4 Involving customers

We have sought customer feedback through different methods, including deliberative forums, small group discussions and an online survey. The outcomes of this engagement suggest that the current water continuity and wastewater overflow standards have some general alignment with events that customers find highly inconvenient.

As a first step in understanding customer views relating to service performance, we sought feedback on the types of events that are most inconvenient to them.

Overall, customers in deliberative forums and small group discussions told us that the most inconvenient events are:

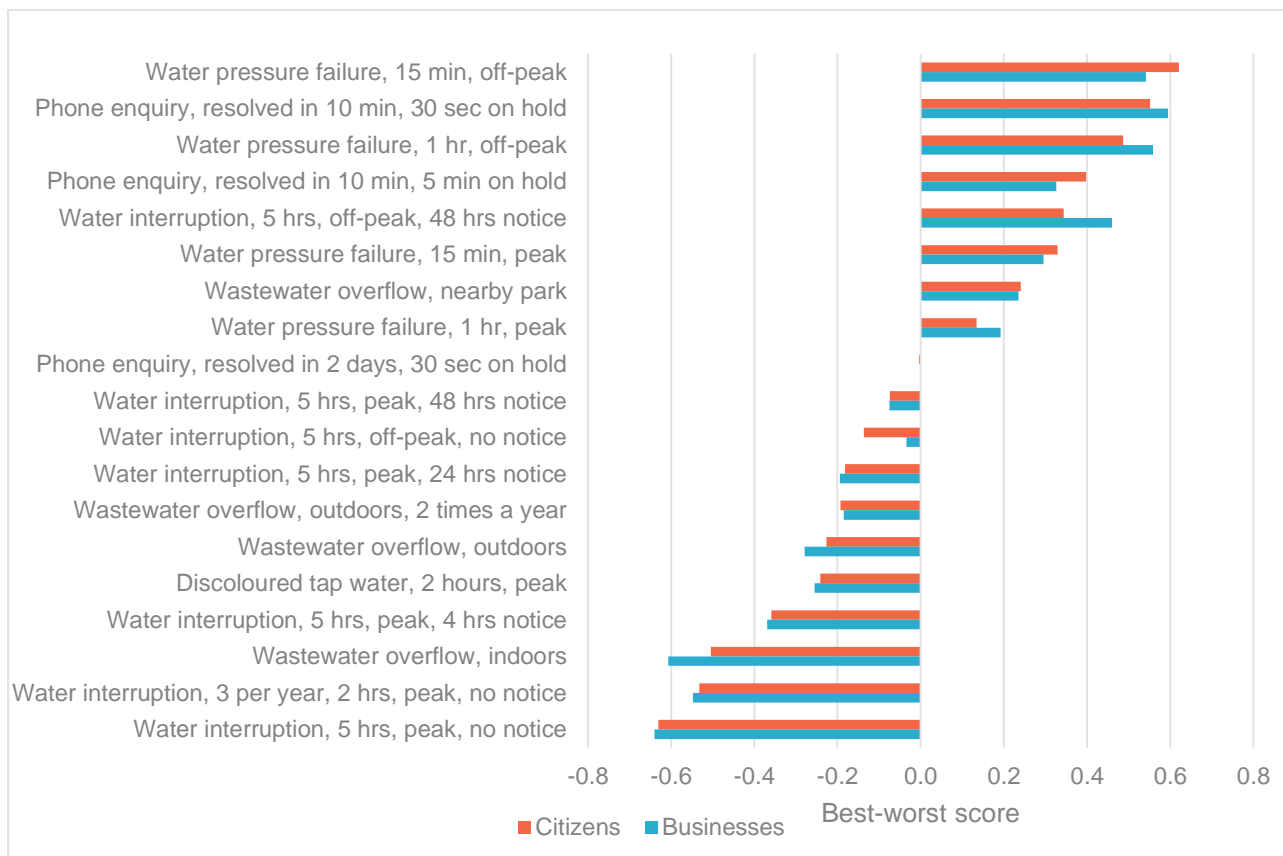
- lengthy water interruptions with no notice, particularly those that occur at peak times of water use and for business customers generally
- wastewater overflows onto private properties

- repeat service faults, either relating to water or wastewater services.

Regarding water interruptions, inconvenience varies dramatically depending on time of day and the amount of notice given. Unsurprisingly, water interruptions during the night with notice are one of the least inconvenient events for all types of customers. For this review, we are not considering changes to the standards relating to time of day, or whether five hours is an appropriate length for a standard relating to water interruptions. This could be an area for further investigation in a future review.

Table 5 shows results from the online survey asking respondents to rank different types of events in terms of level of inconvenience. Similar to the forum and discussion group feedback, survey respondents were highly averse to long water interruptions with no or little notice and wastewater overflows onto private property.

Table 5 Ranking exercise of best-worst events (online survey)



The Best-Worst Score is equal to (no. of times event chosen as best – no. of times event chosen as worst)/number of times event shown. A score of -1 indicates the event was chosen as worst every time it was shown. A score of 1 indicates the event was chosen as best every time it was shown. Base All respondents: citizens (n=1508), businesses (n=251)

These results differ in some cases from the feedback at deliberative forum and small group discussions. For example, survey respondents indicated an aversion to discoloured water events.²⁵ These events are normally highly localised, can typically be rectified quickly and do not often repeat. Customers at forums and small group discussions did not mention discoloured or dirty water when asked to identify the most inconvenient events to them. It is likely that this is because these events are infrequently experienced or unnoticed.

²⁵ The survey presented a two-hour dirty water event, based on an upper time estimate if Sydney Water needs to attend the location to flush the mains. Much more commonly, the issue can be rectified by the customer running a tap for ten minutes, to flush any disturbed sediment from their private plumbing.

Discoloured water complaint information is tracked and is reported as part of complying with clause 2.1.1 of the Operating Licence (regarding the Drinking Water Quality Management System). Given this and the infrequency of these types of events, we do not think a system performance standard is required. If it becomes apparent that water discolouration events are increasing, we would be open to considering a specific measure in the future.

Water pressure failures, off-peak water interruptions with notice and resolution of phone enquiries tended to be rated as significantly less inconvenient by survey respondents. This was consistent with feedback at deliberative forums and in small group discussions.

Generally, the preferences of bill-paying customers were similar to other citizens (renters) in relation to service performance (and across other topics).

Customer views on repeat events

Survey results on repeat events were less clear than the feedback we gathered at the forums. Forum participants indicated they would be ‘much more unhappy’ about repeat events, compared to one-off events, particularly in relation to wastewater overflows. This was supported by general feedback from table discussions, which indicated that customers viewed repeat events as Sydney Water ‘not fixing the problem properly’.²⁶

In contrast, survey results indicated participants did not always nominate repeat events as being more inconvenient than one-off events.

The next phase of customer engagement is focusing more specifically on system performance standards and customers’ willingness to pay for levels of service. This is currently in progress. Outcomes will then be tested in the context of overall bill impacts, against other potential changes. More information on these upcoming activities is provided in Section 7.6 and Appendix 3

7.5 A wider review in future

We are open to considering more significant changes to the standards in the future. However, we do not think that these could be considered properly within this review’s timetable. The right process would need to include:

- enough time to ensure that significant changes are the result of a rigorous and transparent process, with engagement with customers throughout
- careful consideration of service definitions, based on customer input
- economic analysis of alternatives, taking account of value customers place on the various dimensions of service.

²⁶ The Centre for International Economics 2018, *Final Report Customer-informed IPART submission (CIPA) Phase 1*, prepared for Sydney Water, The Centre for International Economics, Canberra, p 68. When asked how they would feel if water interruptions occurred multiple times at table discussions during the deliberative forums, most citizens suggested they would be quite understanding the first time, but on the second and third time they would be extremely annoyed and presume that Sydney Water had not fixed the problem properly the first time. Similar views were expressed in keypad voting questions about both water interruptions and wastewater overflows.

Any broader review would need to be supported by an understanding of the drivers of system performance, the costs of complying with an alternative standard, the system and customer impacts of any alternatives, as well as more extensive customer engagement.

Service definitions

There are multiple dimensions that make up water and wastewater services.

These include event type, duration, frequency, time of day, whether notice was given, whether given restoration times are accurate and whether there is effective customer communication during events.

These all impact how customers might value service outcomes. Therefore, an important step in making wider changes to standards would be to specify services in terms of the most relevant dimensions for customers.

7.6 Our economic approach to reviewing standards

We are reviewing the levels within the water continuity and wastewater overflow standards, with reference to the 'social cost' of service provision.

Our economic approach is in line with that suggested in the Issues Paper, incorporating how customers value respective services and taking account of the costs of providing different service levels. Steps include:

1. A Willingness to Pay (WTP) survey
2. A cost-benefit analysis, considering three service / cost scenarios alongside WTP results and identifying which has the lowest social cost²⁷
3. Validating/confirming the acceptability of the cost-benefit analysis finding in the context of the price proposal (and total impact on bills).

To ensure the process is robust, we have sought expert economic and customer engagement advice. We have also discussed this approach with IPART. While this approach and modelling exercise may not necessarily provide an 'answer', it will help levels of service to be set to reflect to customer value and preference. It will also provide a reference for potential future customer engagement.

We will endeavour to undertake the work noted in steps 2 and 3 above to meet IPART's review timeframes. Results from step 3 will not be available until at least the end of 2018; while this is after IPART has released a draft of the new licence, the results should be available before the public hearing in February 2019.

Willingness to pay surveys

The WTP survey will gather information on the value customers put on changing the level of risk of specific service faults. In the survey, customers will nominate preferences for various service outcome / bill impact combinations.²⁸

Our WTP survey design accounts for some of the common challenges with these surveys, such as the need to offer choices that are clearly differentiated from the status quo, but realistic enough to be feasible. The WTP survey is just one part of the process and its results are an input to the cost-

²⁷ Initially we plan to include three scenarios. If the results of this suggest the need to focus on a particular scenario (or in the gap between two scenarios), we may undertake more analysis, if time permits.

²⁸ Where the bill impacts are explained to be sustained increases or decreases in what customers pay in a year.

benefit analysis. It has been designed to provide results that are specific to this use. For example, to allow us to consider the social cost of five hour unplanned interruptions, the survey is set up to understand how customers value the impact of similar events.

More information about the willingness to pay survey is presented in Appendix 3.

Cost-benefit analysis

The cost-benefit analysis will identify whether there is an opportunity to change the threshold levels, to better reflect the value customers place on particular service outcomes. Given the differences between the standards, the variables used in each cost benefit analysis will be different.

Our analysis will seek to identify the service scenario with the lowest 'net social cost' by using the WTP survey results and the costs of alternative service levels. Scenarios will cover higher and lower service levels, and a base case derived from recently observed average annual performance and relevant costs.

This scenario approach has been taken because it is not practical nor realistic to create continuous cost / service level functions for water continuity and wastewater overflows. This is because:

- these services are provided at almost two million connected properties at different points across each of the water and wastewater networks, and
- many different combinations of activities could deliver a certain level of service at each of these points – there is no unique, 'optimum' way of providing a service.

For avoidance of doubt, the costs and service levels in these scenarios are only used in the cost-benefit analysis, and are not the options presented to customers in the WTP surveys.

More information on our approach to the economic cost-benefit analysis is provided in Appendix 3.

Re-engaging with customers with a package of possible changes

As part of Phase 3 of our 2018 customer engagement program, we will present customers with a package of options impacting their total bill, including potential changes to service standards. This is to ensure that preferences remain valid when all the separate service changes and bill impacts are combined. This has been found to be a critical step in other jurisdictions (for example, in the United Kingdom).

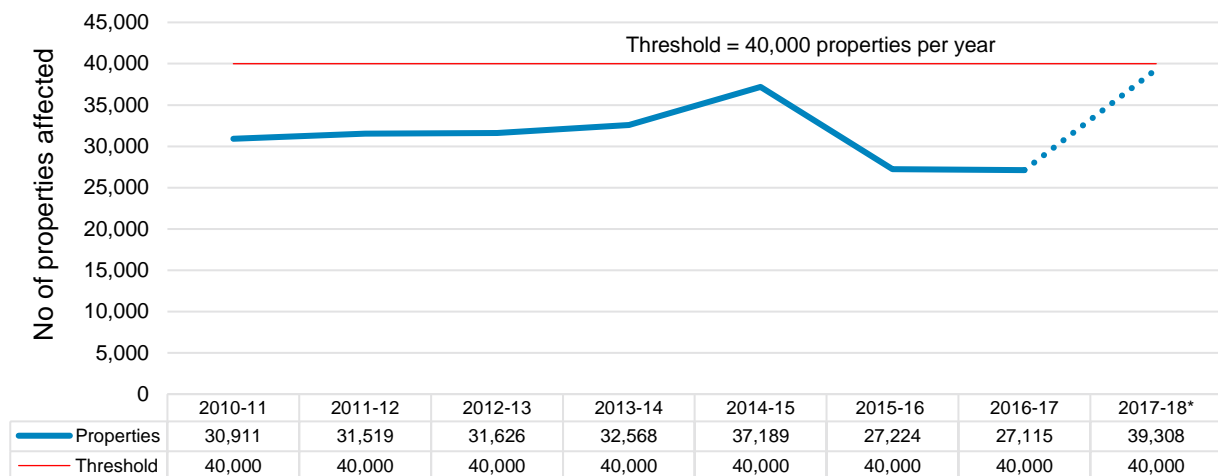
7.7 Water continuity standard

The water continuity standard comprises two measures. In a financial year:

- SPS 2 - no more than 40,000 properties experience an unplanned water supply interruption that lasts for more than five hours. This is currently equivalent to 2.1% of properties each year.
- SPS 3 - no more than 14,000 properties experience three or more unplanned water supply interruptions that each lasts more than one hour. This is currently equivalent to 0.7% of properties each year.

Performance on water continuity standards is shown below in Figure 2 and Figure 3. We have complied with both standards in all years, with some performance variation year on year.

Figure 2 Water continuity performance - 'five hour' standard (SPS 2)



***Note:** This is projected performance for 2017-18. Final value will be provided to IPART as part of our 1 September annual compliance reports.

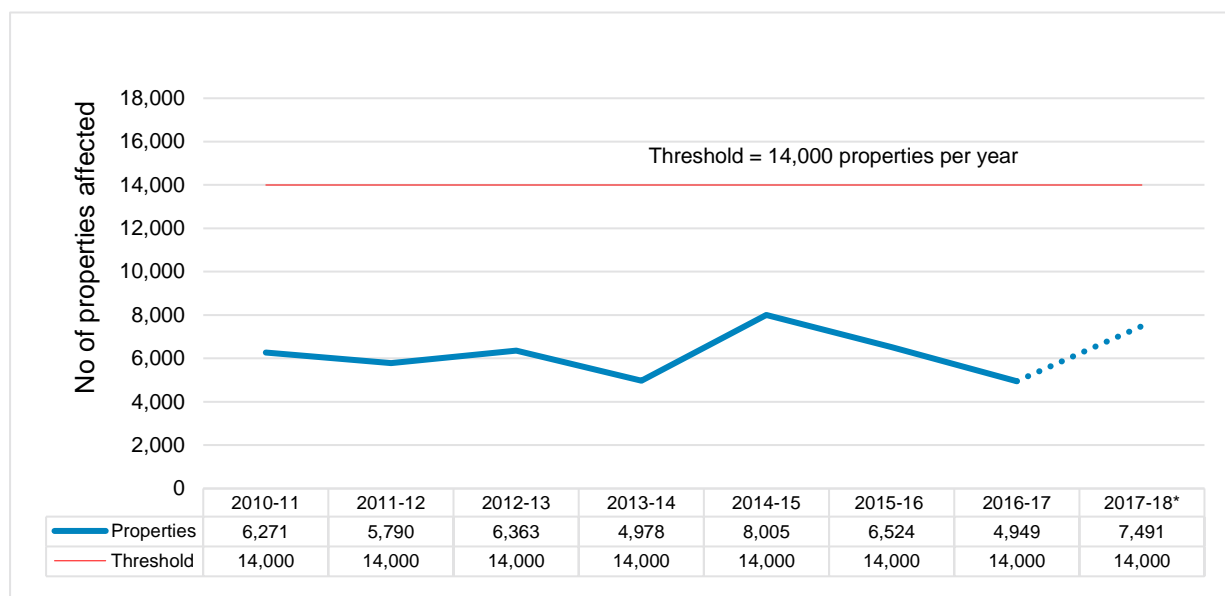
This performance is equivalent to 98.3% of properties not experiencing such interruptions over the period since 2010. Over the last two years, water continuity complaints have represented four per cent of total complaints.²⁹

While average performance has been about 20% below the threshold, the gap was much smaller in 2014-15 and 2017-18 (on the latest projected figure). In 2017-18, there has been a higher number of pipe leaks and breaks. Ground movement caused by the sustained dry weather has at least partly contributed to this.

Past performance on leaks and breaks in the reticulation water main network is provided in Appendix 3 A similar pattern can also be observed in performance on the 'repeat' standard, with higher numbers of 'repeat' unplanned interruptions in 2014-15 and 2017-18 (see Figure 3).

²⁹ In 2016/17, Water continuity complaints = 169 from 4,633. In 2017/18, Water continuity complaints = 200 from 4,831. Source: Sydney Water data

Figure 3 Water continuity performance - 'repeat' standard (SPS 3)



***Note:** This is projected performance for 2017-18. Final value will be provided to IPART as part of our 1 September annual compliance reports.

Performance figures in the Issues Paper

The Issues Paper includes a table of performance against standards from 2008-09 to 2016-17 at Table 6.1 (page 59).

We have been unable to re-create some of the values in this table. This may be due to the footnote on this table, noting that data was not available for 2008-09 and 2009-10. Despite the limit change in 2010, performance data back to 2005-16 can still be found in the annual performance reports published on IPART's website.³⁰

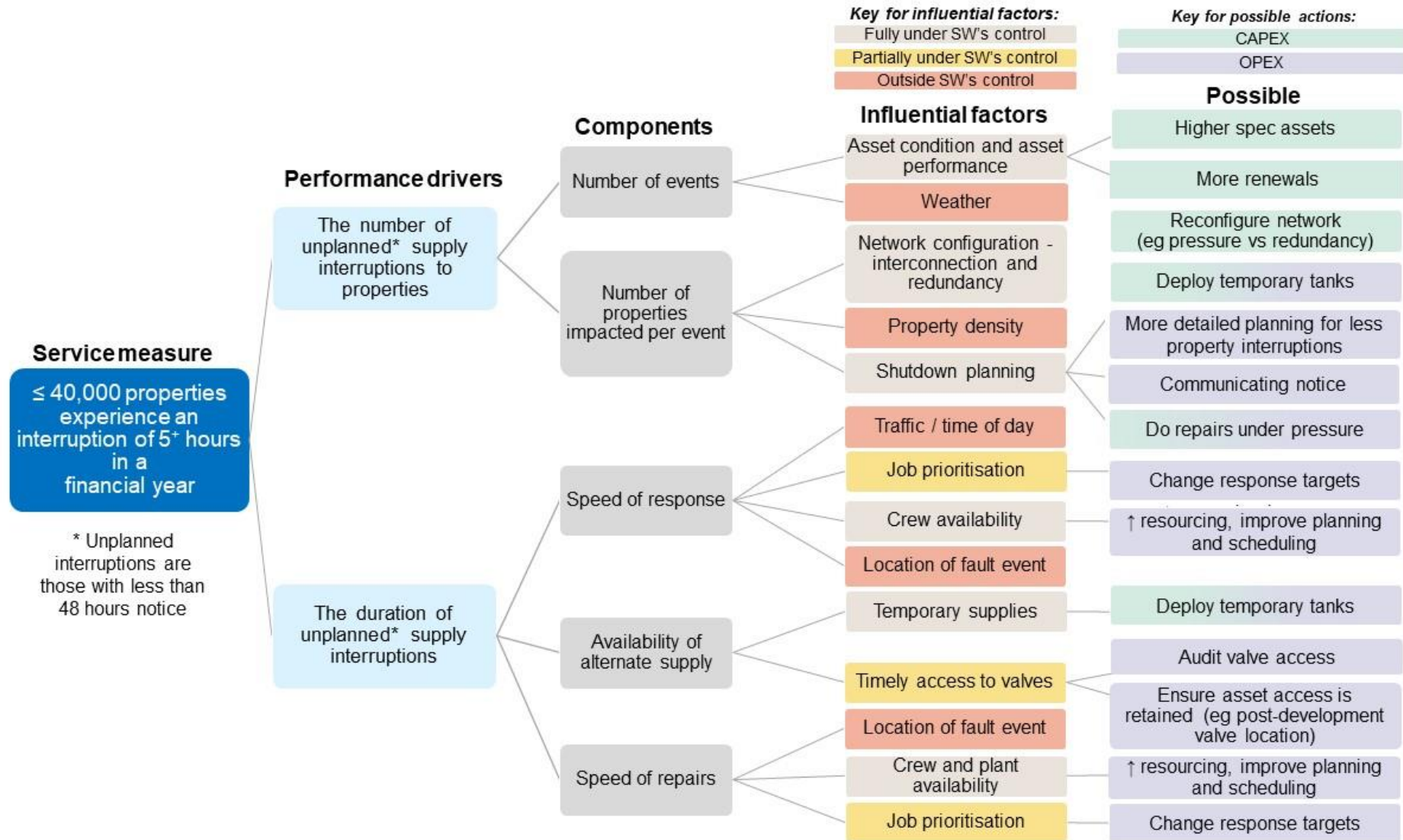
Drivers of water continuity performance

In reviewing the water continuity standards, it is important to consider what drives performance on the specific measures. As noted, some influential factors are within our control, some are partially in our control and some are not controllable. Planning for the delivery of an appropriate level of service takes these factors into account, regardless of whether they are in our control.

Figure 4 shows the drivers of service performance relating to the water continuity standards and how performance can be influenced.

³⁰ For example, 'Database-NSW-Public-Water-Utilities-Performance-Indicator-Database-2016-17.xls' was available on 16 July 2018, at: www.ipart.nsw.gov.au/Home/Industries/Water/Compliance/Historical-performance-reports/NSW-Water-Utilities-Performance-2016-2017?qDh=2

Figure 4 Water continuity standards - drivers of performance



The diagram shows that performance depends upon the number of unplanned interruptions to properties and the duration of those. In turn, these are driven by five key components:

- Number of fault events – this is influenced by the number of water main failures. These are driven by internal and external pipe corrosion, loss of structural support around buried pipes (e.g. due to ground movement) and third-party damage.
- Number of properties impacted per event – this depends upon how the network is configured (i.e. whether alternate supply paths exist) and the density of properties on that part of the network (which is increasing in parts of Sydney).
- Speed of response to events – this can depend upon fault location, time of day and whether there are higher priority events to respond to. Traffic can have a large influence on this in Sydney.
- Availability of alternate supplies – interruption durations can be limited if it is possible to provide alternate supplies within a short period (for example, provide temporary supply or quickly reconfigure the network where possible)
- Speed of repairs – drivers are similar to those for ‘speed of response’. These activities are separate as first responders are not always repair crews.

The drivers of repeat one hour or more interruptions are similar, although the impact of ‘duration’ factors can have more influence on performance.

Approach to asset management for water mains

In developing an asset management strategy, we consider the state of the assets and the various aspects of service performance which are required to meet relevant obligations, customer needs, safety and other considerations. It is not normally as simple as aiming to meet a single performance measure such as an SPS.

For water continuity, more than 80% of water supply interruptions in a typical year are caused by reticulation water main failures. There are about 18,000 km of these small diameter pipes, through which most properties are supplied. As these are small buried assets, failure is not easily predictable and the consequence of individual pipe failures are generally low and localised.

For this reason, it is efficient to apply a ‘plan to repair’ approach on reticulation water mains, accepting a certain level of risk of failure. ‘Failure’ of reticulation water mains is when leak and break history means that it is no longer performing as required.

The strategy seeks to minimise lifecycle cost while meeting relevant service obligations by replacing pipes (or sections) at the point when the net present value (NPV) of maintenance and repair cost is greater than the NPV of the renewal cost. More details on the reticulation water mains asset management strategy, and the other considerations in setting the strategy’s objectives, are provided in Appendix 3.

The remainder of interruptions are related to other assets including the larger diameter critical water mains. Although critical water mains are much larger than reticulation pipes, their impact on interruptions is limited once they are isolated, and they usually have a lesser impact on water continuity performance. Critical water main failures have more serious consequences (for example, very high rebuild costs), and these assets are managed differently from reticulation assets.

More details on the critical water mains are provided in Appendix 3.

Alternative options for SPS 2 and 3

The economic approach to considering the target levels within the current standards will follow the three steps, as describe in Section 7.6. Specific considerations for water continuity are described in Table 6.

Table 6 Specific requirements to assess changes to SPS 2 and SPS 3

Analysis step	Specific approach for Water Continuity Standards
1. Willingness to Pay (WTP) survey	<p>The survey will seek to ascertain:</p> <ul style="list-style-type: none"> How much customers are willing to pay (accept) for a reduction (increase) in the likelihood of an unplanned water interruption of 5 hours or more The value for changing the likelihood of three or more unplanned water interruptions longer than one hour.
2. Cost-benefit analysis	<p><i>WTP results and higher and lower Water Continuity service level / cost scenarios will be used to find the threshold level option with the lowest social cost</i></p> <p>Service improvement scenario will consider the cost and impact of options to influence the drivers of service as follows:</p> <ul style="list-style-type: none"> Reduce failure events by increasing asset replacement Reduce properties impacted per event through more comprehensive shutdown planning and/or providing temporary tanks Reduce the duration of events by reconfiguring the network to restore customers while repairs are ongoing. <p>Service deterioration scenario will consider the cost and impact of relaxing the decision framework triggers to allow more failures before asset replacement.</p>
3. Test full service / cost packages with customers	<ul style="list-style-type: none"> Test any potential changes in context of overall bill Same approach used for all topics

Step 2 includes possible actions for providing services at different levels. Some actions may not be included in the cost-benefit analysis if they are impractical or too costly to include.

7.8 Wastewater overflow standard

The wastewater overflow standard comprises two measures. In a financial year:

- SPS 4 - no more than 14,000 properties (other than public properties) experience an uncontrolled wastewater overflow in dry weather (see break-out box on next page explaining a 'dry weather overflow'). This is equivalent to less than 0.8% of properties serviced by Sydney Water.
- SPS 5 - no more than 175 properties (other than public properties) experience three or more uncontrolled wastewater overflows in dry weather. This is equivalent to less than 0.01% of properties.

What is a 'dry weather overflow'?

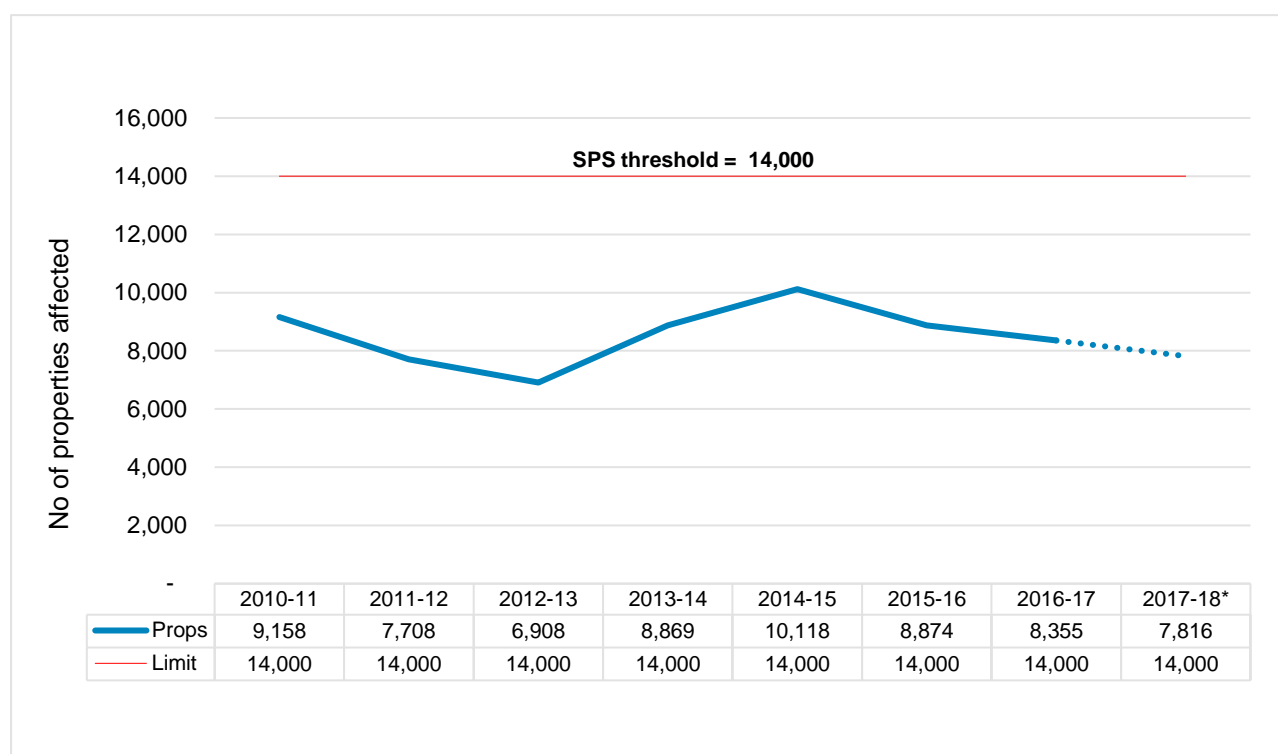
A dry weather overflow is a wastewater overflow that occurs due to a blockage (or 'choke') in the sewer. The blockage causes wastewater to 'back-up' and overflow through outlets designed for this purpose to avoid larger overflows or overflows inside properties. If these have been covered over, the overflow can occur inside a property.

Most chokes are caused tree roots in the sewer. Other chokes are caused by oil and grease build-up, silt and construction debris and other solids which do not naturally disperse (eg 'wipes in the pipes').

SPS measures do not target 'wet weather overflows' or overflows onto public property. Wet weather overflows occur due to the ingress of stormwater run-off, which causes a total flow which is greater the sewer's capacity. These are regulated separately via Environment Protection Licences.

Performance on the dry weather overflow standards are shown in the charts below, including projected figures for 2017-18.

Figure 5 Private properties affected by a sewage overflow (SPS 4)



***Note:** This is projected performance for 2017-18. Final value will be provided to IPART as part of our 1 September annual compliance reports.

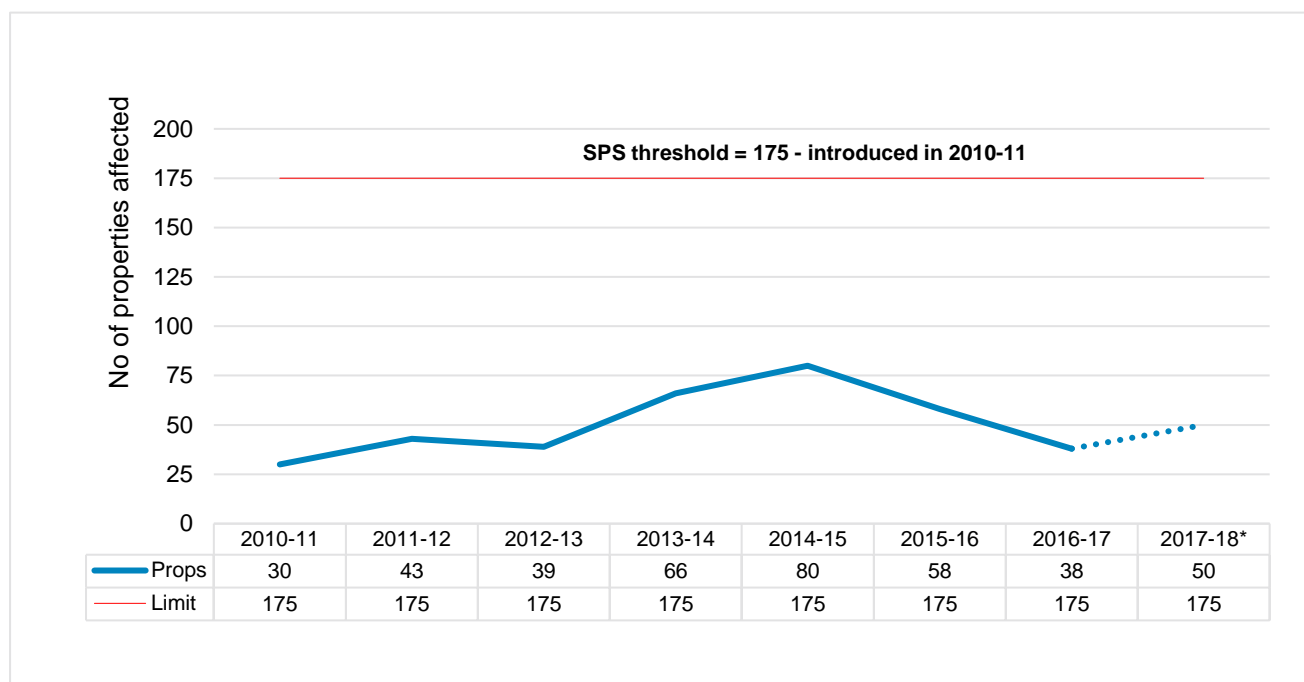
Since 2010-11, an average of 8,476 properties per year have experienced a wastewater overflow in dry weather, although there is some year on year variation.³¹ This means that 99.5% of properties have not experienced an overflow, over the same period on average. Over the last two years, wastewater overflow complaints have been eight per cent of all complaints.³²

³¹ The limit was lowered the 2010/11 financial year to reflect a change to how affected properties were calculated. After that, 'multiple occupancy properties' were counted as one property for each overflow event.

³² In 2016/17, Wastewater overflow complaints = 353 from 4,633. In 2017/18, Wastewater overflow complaints = 388 from 4,831. Source: Sydney Water data

Since the 'repeat overflows' standard was introduced in 2010-11, the average number of properties affected is 52 per year (which is only three in every 100,000 properties).

Figure 6 Private properties affected by three or more sewage overflows (SPS 5)



***Note:** This is projected performance for 2017-18. Final value will be provided to IPART as part of our 1 September annual compliance reports.

Performance on both SPS 4 and 5 has been well below the respective limits. This is largely due to an asset management strategy which seeks to minimise lifecycle costs and (for SPS 5) as repeat chokes are relatively rare events.

Drivers of dry weather wastewater overflows onto private property performance

At the highest level, wastewater overflow performance depends upon:

- the number of sewer chokes, and
- how many properties are affected each time.³³

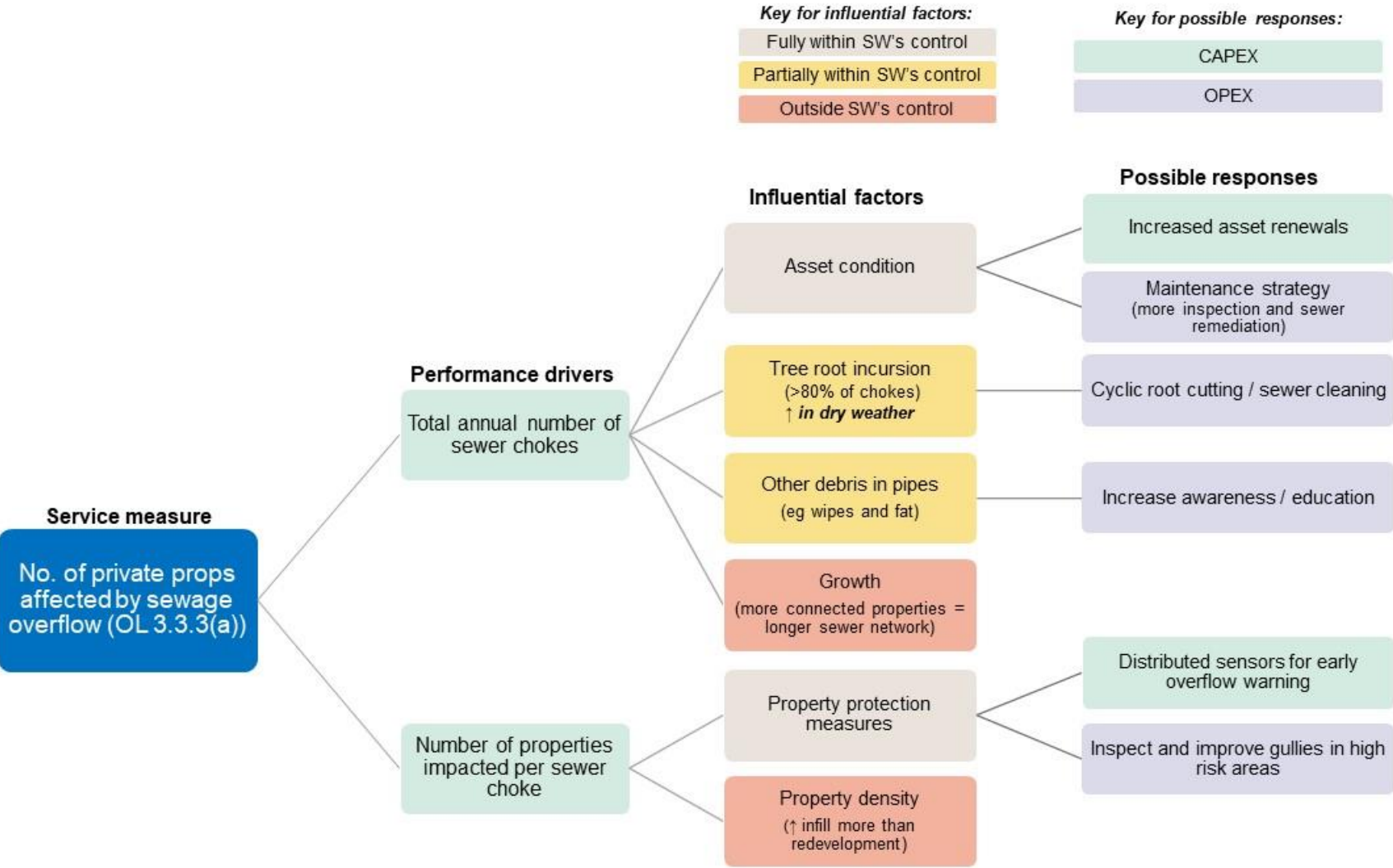
Across 24,000 kilometres of smaller diameter 'reticulation sewer' assets, there have been about 15,000 chokes per year on average since 2010-11, with past analysis showing that:

- The number of chokes can vary significantly year on year (due to weather impacts).
- Less than half of chokes caused overflows onto private property
- For each choke impacting properties, only 1.2 properties were affected each time.

Figure 7 illustrates the various factors which influence the number of chokes and the number of properties affected per choke. Some of these are controllable and some are not. The figure also shows how performance can be influenced.

³³ Only events caused by the Sydney Water network are reported under the wastewater overflow standard. Chokes in private sewer pipes connecting customer premises to the wastewater network, are not included. While many of these result in a service call and lead to attendance by a Sydney Water crew, they are the responsibility of the property owner.

Figure 7 Wastewater overflow standards - drivers of performance



The total annual number of sewer chokes in these assets is driven by:

- Tree root incursion: Over 80% of chokes are caused by tree roots which enter sewers through small cracks or separated joints. As they grow bigger they trap other debris, eventually causing a blockage. Tree root activity increases significantly after sustained dry periods and varies seasonally (with more chokes in winter).
- Asset condition: sewers with cracks or separated joints can leak moisture and attract tree roots, which can then widen those cracks as they enter.
- Other debris: oils, fats and wipes can also clog sewers. There are over-arching customer education campaigns to discourage putting these other materials in the wastewater system.

While tree roots are the dominant choke driver and there are underlying patterns in rates, the first choke in a sewer is unpredictable and about 60% of chokes are first time events.

Approach to asset management for wastewater assets

In developing the asset management strategy, we consider the state of the assets and the various aspects of service performance which are required to meet relevant obligations, customer needs, safety and other community impacts, in addition to meeting Operating Licence performance standards.

One of the most important interactions with this SPS is Environmental Protection Licence (EPL) 04.8a. This effectively limits the total number of chokes by limiting the number of chokes per 100km of network. Currently, this is equivalent to about 21,000 chokes per year.³⁴

Performance on the SPSs mostly depend upon the reticulation sewer network. Again, these are small diameter buried pipes, with a total length of 24,000km.

The asset management strategy for the reticulation sewers is based on a 'plan to repair' philosophy. This is because:

- each overflow event has a relatively low consequence, and
- repair and clean-up costs are generally much less than the cost of pro-actively finding potential overflows and taking required action.

This is partly because service failures are random. While some targeting is possible, the cost of surveying many thousands of kilometres of sewers to look for possible chokes would be restrictively expensive.

More information on the sewer network, its related obligations and the asset management strategy is provided in Appendix 3.

Alternative options for SPS 4 and 5

Wastewater overflows onto properties and repeat overflows are the right types of event for standards to cover. The specific considerations for the economic approach to considering the target levels are described in Table 7.

³⁴ This is an estimate based upon approximate length of the wastewater network.

Table 7 Specific requirements to assess changes to SPS 4 and SPS 5

Analysis step	Specific approach for Wastewater Overflow standards
1. Willingness to Pay (WTP) survey	<p>The survey will seek to ascertain:</p> <ul style="list-style-type: none"> How much customers are willing to pay (or accept) for a reduction (or increase) in the likelihood of a wastewater overflow onto their property The value for changing the likelihood of three repeat overflows onto their property in one year.
2. Cost-benefit analysis	<p><i>WTP results and higher and lower overflow service level / cost scenarios used to find the target level with the lowest social cost</i></p> <p>Service improvement scenario considers the service impact and costs of reducing the number of chokes through:</p> <ul style="list-style-type: none"> more proactive CCTV surveys find and clear potential chokes comparatively more sewers are relined (before chokes in 5 years) <p><i>Note: As most first chokes are random, pro-active surveying is quite a high cost / low yield approach</i></p> <p>Service deterioration scenario will consider service impact and costs of allowing more chokes if sewers are not surveyed after 3 chokes in 5 years. Additional chokes will occur, leading to:</p> <ul style="list-style-type: none"> More overflows and more repeats in the same place A higher volume of choke clearing and clean-ups.
3. Test full service / cost packages with customers	<ul style="list-style-type: none"> Test any potential changes in context of overall bill Same approach used for all topics

7.9 Measuring performance

Given that threshold limits for existing standards are defined in terms of an absolute number of properties, they effectively become tighter over time due the impact of growth. This in-built tightening effect is not consistent with an approach to minimise social cost on an ongoing basis.

In addition, an absolute limit lends itself to management approaches that aim to, as far as possible, ensure the limit is not breached on a year-on-year basis. This reduces incentives for Sydney Water to explore alternative asset management approaches, if they exist and are more cost-effective, that could move performance trends closer to licence threshold limits.

We present two options below that could help address this:

1. Moving to a five-year rolling average to measure performance, in line with how some of our Environmental Protection Licence requirements are defined.

This change would still allow the standard to demonstrate the underlying service trend, while making some allowance for external impacts that vary from year to year.

2. Expressing threshold limits as a 'percentage of properties supplied' rather than as absolute numbers.

Performance requirements would automatically account for the impact of growth (rather than tightening over time), so there would be no need to frequently revisit licence limits. In making this change, standards with very low 'percentage threshold' limits could be expressed as

positive statements of performance, for ease of reference. For example, instead of “no more than 0.0002% of properties” to experience a particular event, the standard could require “at least 99% of properties” to **not** experience a particular event.

7.10 Water pressure standard

Summary

The vast majority of customers are not impacted by water pressure failures, and customers do not rate such events (particularly one-offs) as highly inconvenient.³⁵ The current water pressure standard is not a useful driver of performance as it does not measure repeat pressure failures.

Most low pressure events recorded each year are repeat events which are experienced by about 135 properties in six geographic areas. These are not recorded separately against the existing water pressure standard, as it only records one event per property per year.

In response to this, our position is to resolve chronic pressure problems in localised (six) areas. This can be resolved for a relatively low cost, with a minimal impact on customer bills. We will test customer willingness to pay for this.

If this approach is acceptable to customers, we propose to:

- resolve chronic pressure failures at the local level
- remove the water pressure standard as an Operating Licence system performance standard
- add two new water pressure indicators to the Reporting Manual, to ensure that any emerging water pressure problems, including recurrent ones, are visible.

Current standard

The water pressure standard requires that no more than 6,000 properties on Sydney Water’s drinking water supply systems experience a ‘water pressure failure’ in a financial year. A water pressure failure is where a property experiences a pressure of less than 15 metres head continuously for 15 minutes or more, as measured at the point of connection to Sydney Water’s system

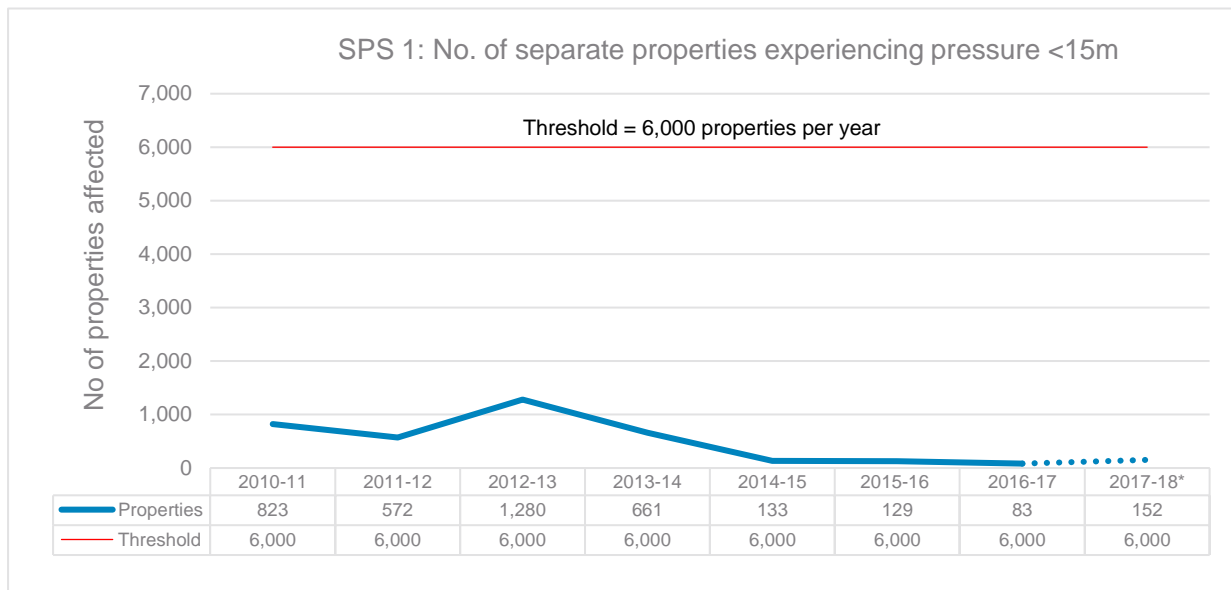
A ‘property’ is defined as a separately billed premises – apartment blocks that receive one Sydney Water bill are counted as one property. Second and subsequent water pressure failures at a property in a year are not counted in the current performance measure. This standard also does differentiate between random or short-term, and more sustained pressure failures.

Past performance

Recent performance on the water pressure standard is shown in Figure 8.

³⁵ Water pressure failures were identified as low inconvenience events in both discussion forums and online surveys, particularly if only lasting 15 minutes and occurring at a non-peak time. The Centre for International Economics 2018, *Final Report Customer-informed IPART submission (CIPA) Phase 1*, prepared for Sydney Water, The Centre for International Economics, Canberra, p 77.

Figure 8 Water pressure standard performance (SPS 1)

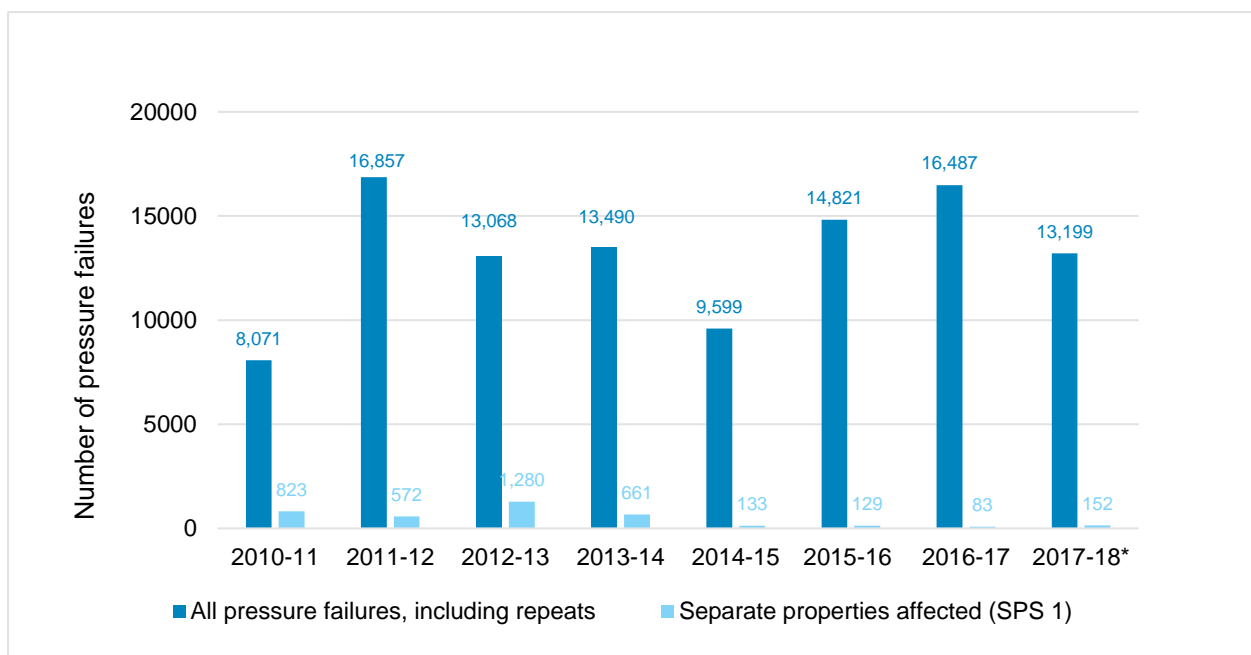


***Note:** This is projected performance for 2017-18. Final value will be provided to IPART as part of our 1 September annual compliance reports.

Performance has been compliant in all years, but the threshold limit is much higher than annual number of water pressure failures at discrete properties. Accordingly, the pressure standard (as currently specified) is not an effective performance indicator. As only one event per property per year is recorded, the standard does not show the impact on properties which experience many failures in a year.

Figure 9 shows the total number of pressure failures each year since 2010-11 alongside the amount recorded by the water pressure standard.

Figure 9 Annual numbers of pressure failures compared to the pressure standard

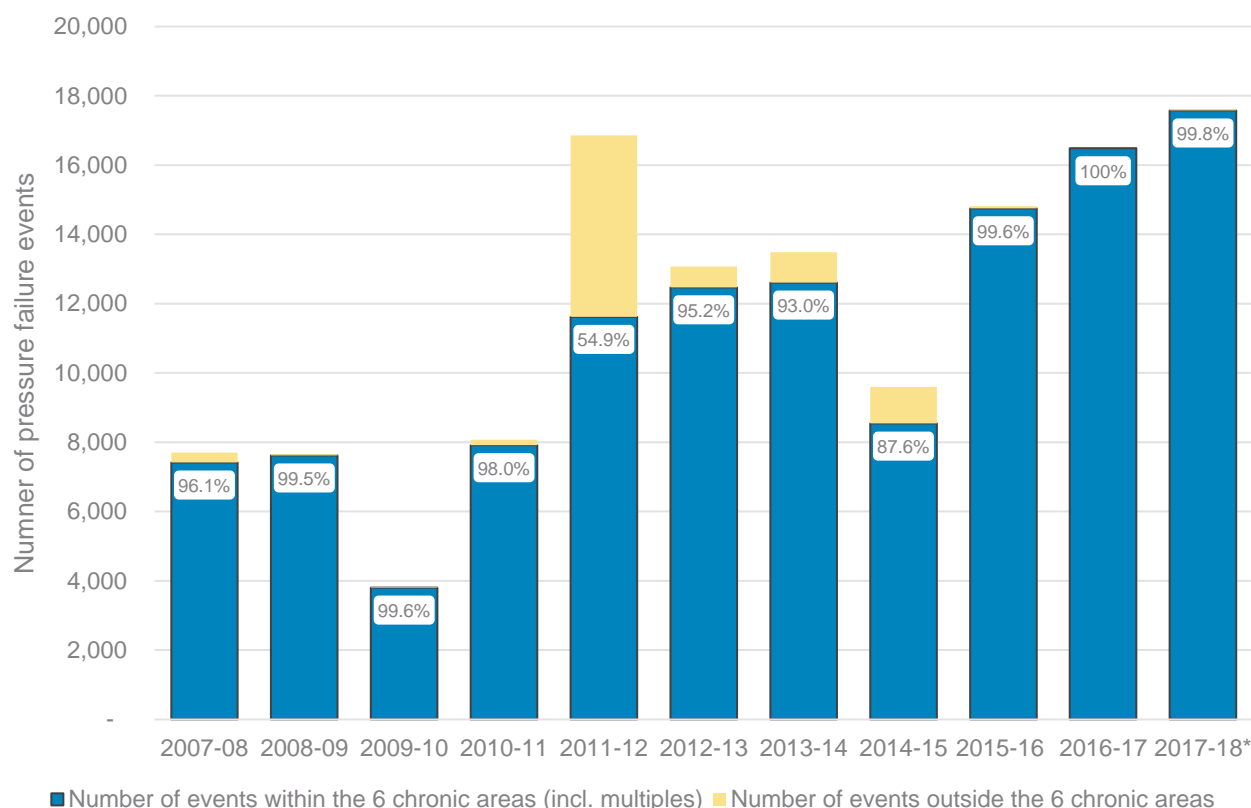


***Note:** This is projected performance for 2017-18. Final value will be provided to IPART as part of our 1 September annual compliance reports.

Including repeat failures, there have been over 13,000 annual pressure failures on average since 2010-11.

Analysis of these events shows that, over the past ten years, there are six discrete locations where about 135 properties experience very frequent pressure failures.³⁶ This is because the properties are close in elevation to the supplying reservoir, or are in areas of high elevation. Figure 10 shows the concentration of repeat failures in these six areas.

Figure 10 Concentration of repeat pressure failures



Drivers of performance

Water pressure performance largely depends upon:

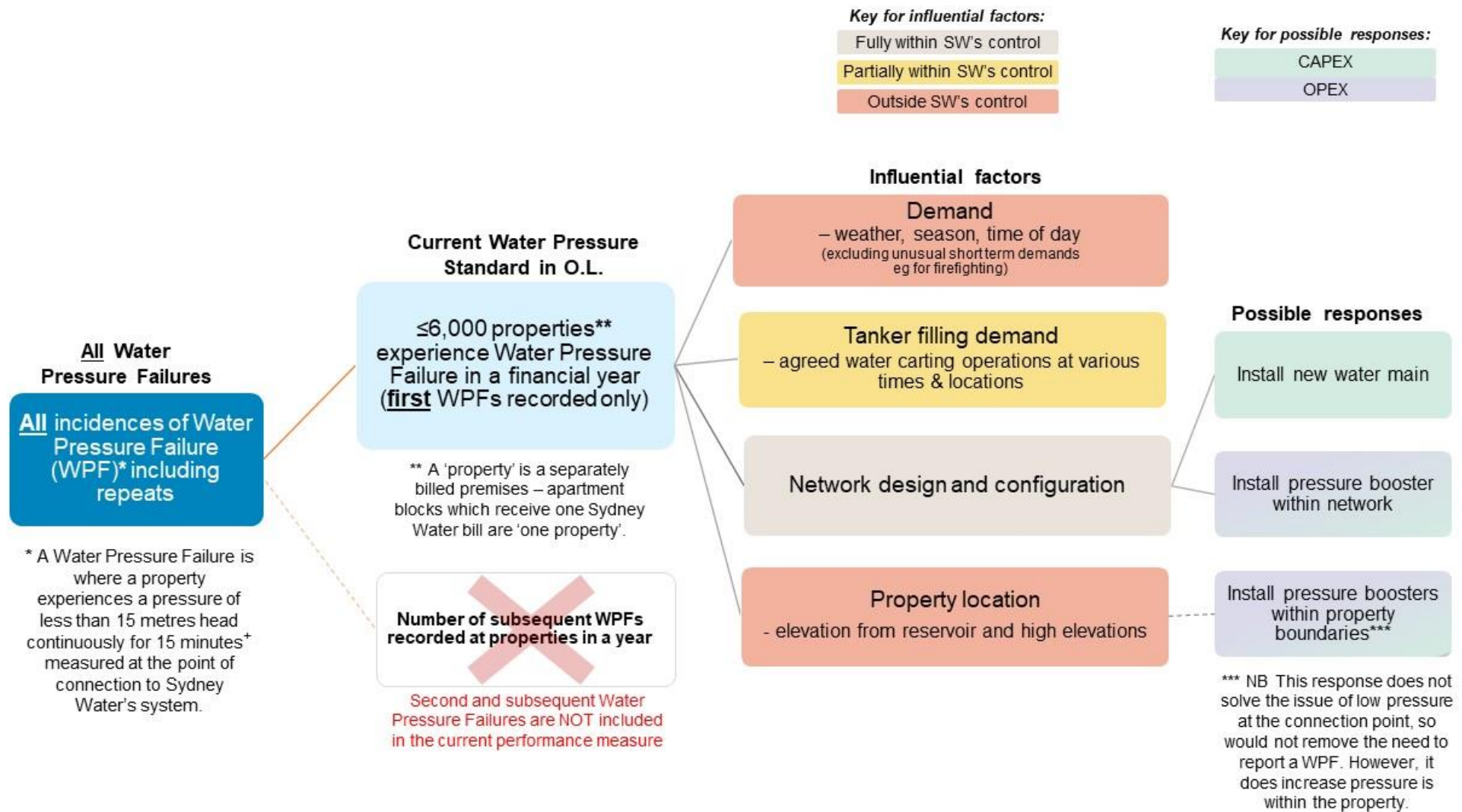
- property specific characteristics – where the most important factor is the height of the connection in relation to the height of the nearest reservoir. Adequate water pressure is usually provided by supplying properties from a reservoir that is significantly higher than the properties.
- network pressure – which is controllable to an extent through pressure regulating valves.³⁷
- local network demand – as high demand in an area can result in low pressure locally. This can occur in hot, dry weather or when professional water carting businesses fill tankers from hydrants.

The drivers of water pressure performance in terms of all pressure failures and with respect to the standard are shown in Figure 11.

³⁶ There are five areas in western Sydney and one area in southern Sydney.

³⁷ In the past, Sydney Water delivered a 'pressure management' program which reduced water pressure in some areas decreasing the rate of pipe breaks and leaks and extending the lives of assets. After the program, average pressure across our area of operations remains about 50 metres head.

Figure 11 Water pressure standard - drivers of performance



Our proposal

In our view, resetting the level of the current standard is not the best way to address the instances of chronic pressure failures.

We propose to consult with customers about resolving the chronic low pressure problems in the six areas affected, at relatively low cost and with minimal impact on customer bills. This will be part of upcoming customer surveys.

Once these localised areas of chronic low pressure are resolved, the remaining pressure failures are likely to be randomly distributed, one-off or infrequent events. As noted, these types of events are normally rated as being of low inconvenience by customers.

We therefore propose to remove the water pressure failures as a system performance standard. Instead, two more appropriate water pressure indicators could be added to the Reporting Manual. These two new indicators would ensure that any emerging water pressure problems, including recurrent ones, are visible. Suggested indicators are:

- total annual number of pressure failures, including repeats – the annual number of properties that experience water pressure of less than 15 metres for one or more hours per day. Pressure failure events can be counted once for each property per day.
- total annual number of properties that experience repeated water pressure failures – Repeat failures could be defined as where a property experiences an average of more than one water pressure failure per month on average in a year. That is, the property is counted if pressure is less than 15 metres for one or more hours per day, on 12 or more days per year.

Moving the duration of a water pressure failure to one hour better aligns with customer views that short water pressure failures are of low inconvenience.

These measures can be fine-tuned over time if necessary.

8 Supply services and performance standards – other issues

8.1 Response time for water main breaks

Question 20 – Given the obligation to report on response times on water main breaks and leaks appears in two separate parts of the existing licence, what are your views on removing licence clause 4.3.1 and consolidating the reporting requirement in clause 8.2.1 of the licence? What are your views on the usefulness of collecting information on response times for water main breaks and leaks?

We support consolidating reporting requirements so that the requirement to report on response times for water main breaks only appears once in the Operating Licence.

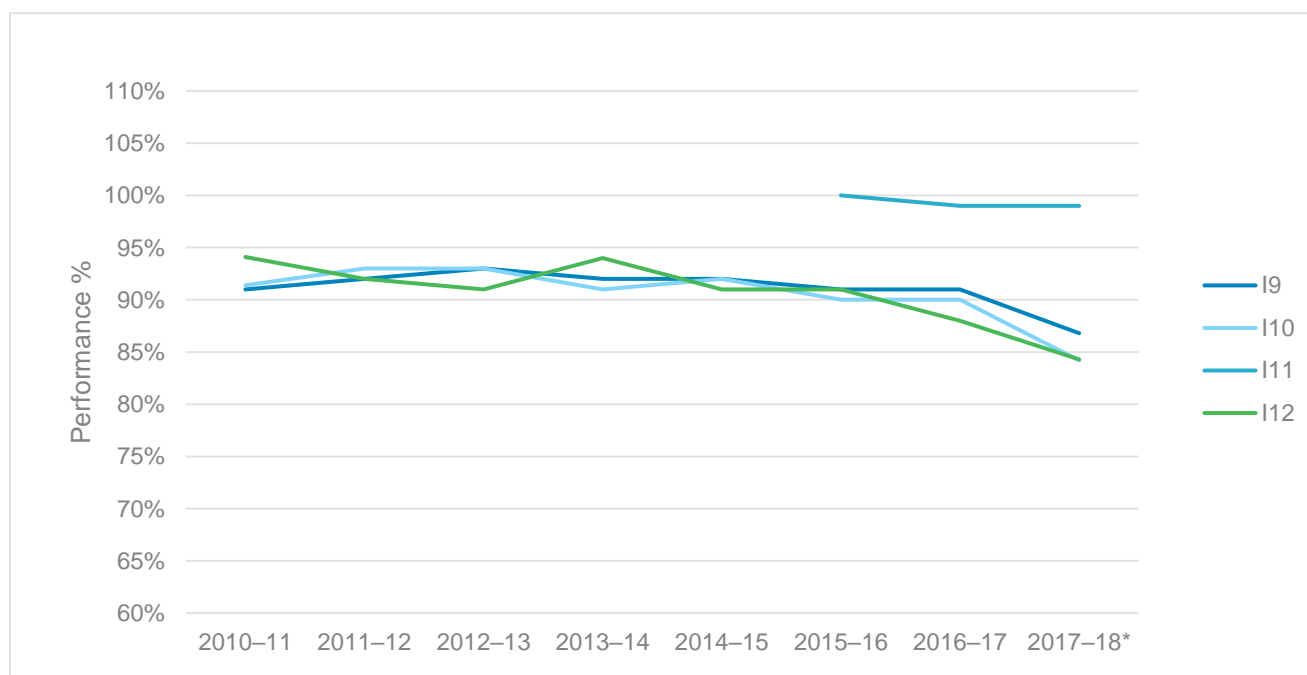
We are happy to continue reporting on response times for water main breaks to IPART. Reporting aids transparency and provides IPART with information to monitor Sydney Water's performance in this area, which is an area of high value for customers. However, we note that when discussing response times, customers typically think of the time taken to fix a break and restore supply, rather than the time to cease water loss only (see break-out box on next page).

We support Sydney Water continuing to respond to water main breaks and leaks as a business decision, rather than in accordance with a licence standard. This allows flexibility to choose an appropriate level of response that minimises inconvenience to customers, uses alternative measures to reduce water loss (where possible), and achieve cost savings by reducing overtime, rather than turning off supply to cease the break completely to meet prescribed timeframes.

We understand that continuity of supply is especially critical for some customers, such as hospitals. Priority is given to restoring the water service in these situations.

Our performance in this area from 2010-11 to 2016-17 is outlined in Figure 12. Breaks and leaks are ranked in priority categories ranging from Priority 6 (highest priority) to Priority 1 (lowest priority). We have reporting indicators for Priority 6, Priority 5 and Priority 4 categories only (see Table 8).

Figure 12 Response time for water main breaks: historical performance comparison



***Note:** This is projected performance for 2017-18. Final value will be provided to IPART as part of our 1 September annual compliance reports.

Table 8 Reporting indicators for response times

Indicator #	Indicator*
I9	Percentage of Priority 6 breaks/leaks in drinking water mains that Sydney Water responded to within three hours.
I10	Percentage of Priority 5 breaks/leaks in drinking water mains that Sydney Water responded to within six hours.
I11	Percentage of Priority 5 breaks/leaks in drinking water mains that Sydney Water responded to within 24 hours.
I12	Percentage of Priority 4 breaks/leaks in drinking water mains that Sydney Water responded to within five days.

Figure 12 shows that performance against most indicators has been relatively stable over time. In 2017-18, the percentage of breaks and leaks responded to within reporting timeframes for each category dropped slightly, except for Priority 5 breaks and leaks responded to within 24 hours. 2017-18 saw an increase in reported faults from customers for both water and wastewater, related to a sustained period of dry weather. This increased the total number of water continuity jobs in 2017-18 and the time taken to respond. The decline in response times was also due to resourcing constraints as our operations group went through an operating model review. Over the same time, we experienced additional work needs to facilitate development needs and meet environmental licence obligations. A wider long-term resourcing strategy is now being implemented. We will continue to monitor performance in this area.

Our customer engagement demonstrates that there is no common preference for whether to respond immediately or defer response to breaks and leaks that occur during the night, or at peak water use times. Rather, these situations lend themselves to a case-by-case assessment.

What our customers think about responding to breaks and leaks

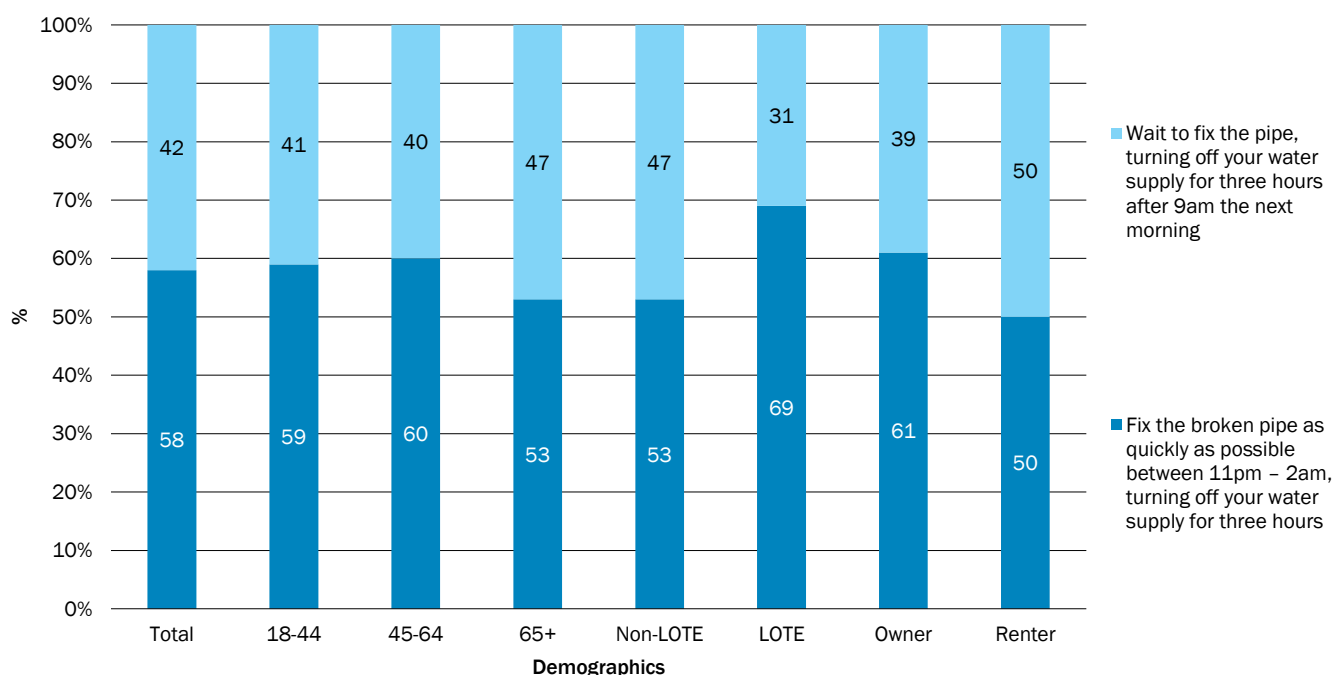
Shorter response times to fix a burst water pipe are not always in customers' interests. When asked about a water pipe burst scenario in our recent customer forums and discussion groups, customers had mixed views about how Sydney Water should respond.

Some participants at our customer forums preferred a delay in responding, if the pipe burst in the middle of the night or during a time of peak water use. This way, the water supply interruption and associated noise of the repair would take place at a more convenient time. This would also avoid the water supply being turned off when customers wanted to use it most, such as dinner time or in the morning rush to get ready for work and school. Some also noted potentially higher costs to Sydney Water as a consideration. However, others wanted Sydney Water to fix the pipe as quickly as possible, largely due to their concern about the loss of water. For the peak time scenario, those in favour of fixing immediately also felt that three hours in a peak period was a long time to wait in what they described as a chaotic time

Interestingly, when presented with a scenario of a broken pipe at 9am, many small business customers preferred Sydney Water to fix the pipe during the day, rather than wait until after 'business hours' (that is, after 5pm). This was because many of these businesses operated in the evening, such as restaurants, or did not have customers visiting during the day. When a break occurred in the middle of night, all businesses preferred this to be fixed straight away.

See Figure 13 and Figure 14 for more detail.

Figure 13 Night time water pipe burst scenario



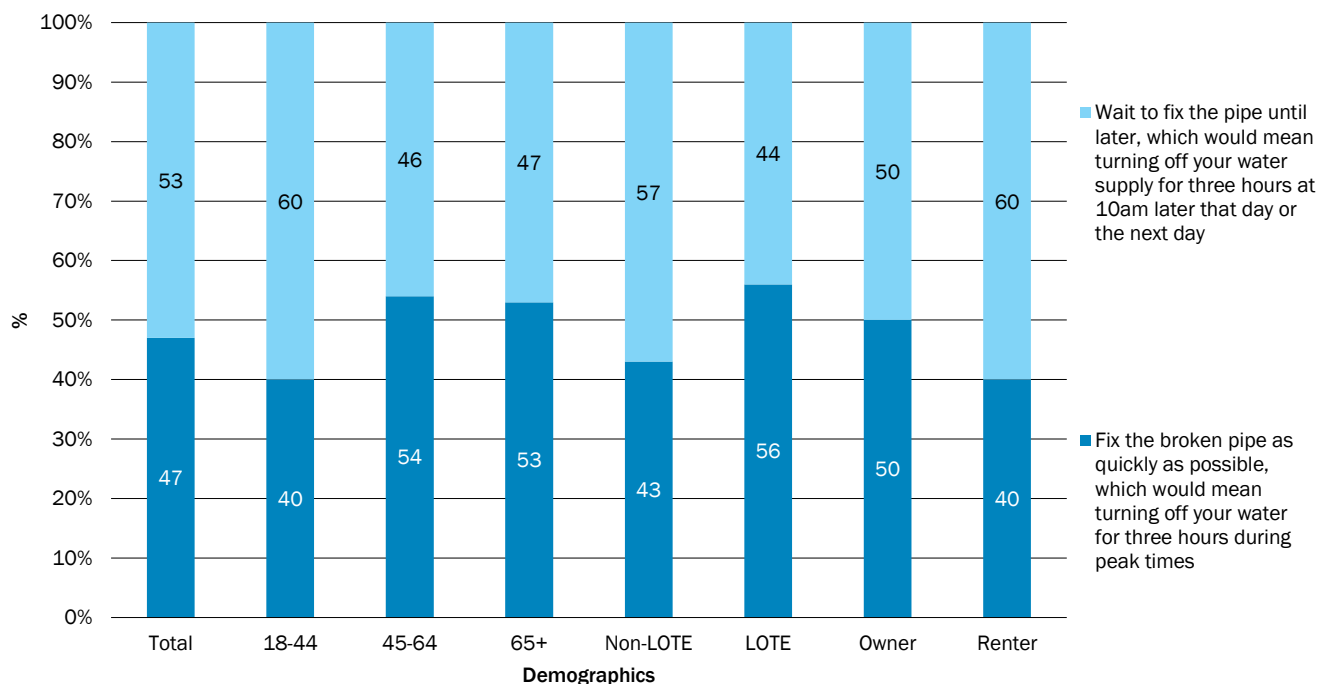
A water pipe breaks during the night. Your water supply is still on, but there is water running down your street. There is no risk to safety, property or water quality. Fixing the pipe means workers, diggers and trucks making noise in your street. Would you prefer Sydney Water to:

LOTE = Languages Other Than English

As can be seen in Figure 13, there was a particular leaning towards fixing the pipe immediately among the Languages Other Than English (LOTE) community for the night time scenario. Those from the CBD forum were least likely to want the problem fixed straight away, with 59% of participants voting to wait to fix the pipe until the next day.³⁸

³⁸ The Centre for International Economics 2018, *Final Report Customer-informed IPART submission (CIPA) Phase 1*, prepared for Sydney Water, The Centre for International Economics, Canberra, p 66.

Figure 14 Peak time water pipe burst scenario



If the same scenario happened as above but the water pipe breaks at 7am or 7pm (i.e. peak time). Would you prefer Sydney Water to:

Again, Figure 14 indicates that more customers in the LOTE community and older customers voted to fix the problem straight away, compared to other segments.³⁹

Public reporting about response times to cease water main breaks

Since we started reporting on this in 2016, we have received ten hits in total on the Sydney Water website.⁴⁰ This seems to indicate that there may be little public benefit in continuing to report this information publicly.

8.2 Priority Sewerage Program

Question 21 – What are your views on maintaining or removing the existing obligations on Sydney Water regarding the Priority Sewerage Program?

Sydney Water's preference is to remove Priority Sewerage Program (PSP) obligations from the licence. Our preference is for the licence to be focused on terms and conditions relating to our general customer base, rather than specific, localised programs.

Our current licence requires Sydney Water to cooperate and participate in a Government review of the PSP and if required by the Minister, comply with any outcomes. While this has not occurred to date, we would be happy to participate in any such review.

Sydney Water agrees retaining Schedule 3 within the licence perpetuates an expectation of the schemes being delivered with the cost to deliver such schemes being funded by Sydney Water's

³⁹ The Centre for International Economics 2018, *Final Report Customer-informed IPART submission (CIPA) Phase 1*, prepared for Sydney Water, The Centre for International Economics, Canberra, p 37

⁴⁰ This excludes views by Sydney Water staff.

wastewater customers. This expectation may persist even though the licence does not include a date by which we must plan for or deliver wastewater schemes for the remaining PSP areas.

Of the six remaining PSP schemes listed in Schedule 3 of the licence:

- Two areas, Austral and Menangle Park, form part of the Government's plan to supply land for new housing to support growth in Sydney's south-west. Both growth areas are now rezoned for urban development and, based on current development forecasts, Sydney Water is planning to provide services to Austral between 2020 and 2022 and to Menangle Park between 2022 and 2024, as part of our capital infrastructure program to service greenfield growth.
- We plan to provide services to Menangle village at the same time as the Menangle Park area. This is consistent with Sydney Water's advice to the then Minister for Energy and Utilities in June 2006. Depending on the rate and sequencing of adjacent development, we estimate this will occur between 2022 and 2026. Servicing Menangle village at the same time as delivering services to the growth precinct at Menangle Park will be more cost effective than servicing Menangle village as a stand-alone scheme.

The cost to deliver the three remaining schemes, Yanderra, Scotland Island, and Nattai remains high, even relative to previous PSP schemes. Updated high-level capital estimates are in Table 9 below.

Table 9 Estimated cost of remaining PSP schemes

	Approximate number of lots	Estimated capital cost (\$2017-18)	Capital cost per lot (\$2017-18)
Yanderra*	200	\$42 million	\$200,000
Scotland Island	350	\$93 million	\$252,000
Nattai	30	\$4.5 million	\$150,000

* Number of lots and capital cost estimate for Yanderra PSP is based on planning conducted in 2015 consistent with PSP obligations in Sydney Water's 2010-2015 Operating Licence

Removing the PSP obligation from our licence would allow alternative delivery and funding mechanisms to be considered for potential future schemes. This could include:

- a more flexible and tiered-funding approach as discussed in IPART's recent draft report *'Maximum prices to connect, extend or upgrade a service for metropolitan water agencies'*, that includes a draft pricing methodology that would apply to new PSP connections
- enabling a contestability mechanism to be considered by the Government for Community Service Obligations discussed in the same IPART draft report.

With regard to pricing, we support IPART's intention to apply a consistent method to calculate charges for any new property who wishes to connect. We agree that how costs should be shared between the connecting customers and the broader customer base depends on the externalities arising from these connections. We also welcome IPART's commitment to assess these departures from the standard charges on a case-by-case basis.

If the Government wishes Sydney Water to deliver wastewater services to any remaining PSP areas, namely Yanderra, Scotland Island and Nattai, it can direct Sydney Water to do so via a direction under the *State Owned Corporations Act 1989*.

8.3 Critical infrastructure security

Question 22 – Given that the Security of Critical Infrastructure Act 2018 (Cth) regulates critical infrastructure, what are your views on including or not including critical infrastructure obligations in the licence?

Sydney Water agrees with IPART's preliminary view that Operating Licence obligations regarding national security and critical infrastructure issues are unnecessary.

In April 2018, the Federal Government passed the *Security of Critical Infrastructure Act 2018* to strengthen the Government's capacity to manage national security risks of espionage, sabotage and coercion arising from foreign involvement in Australia's critical infrastructure. The legislation covers ports, water (water and sewerage infrastructure), gas and electricity assets.

Under this legislation, Sydney Water and the NSW Government (as the direct interest holder of Sydney Water) will be required to provide information to the Critical Infrastructure Centre (CIC) within the Commonwealth Attorney-General's Department. The information will be used by the CIC to assess who owns, controls and has access to critical infrastructure assets, information and their control systems, to carry out a risk assessment. The Commonwealth will then determine if any mitigation measures are required.

The legislation gives the Commonwealth Minister a broad power to direct Sydney Water to take certain actions to manage national security risks, if deemed necessary. This could include directing us or our operators to refrain from outsourcing operations to certain providers or moving offshore corporate and operating data to a more secure data storage provider.

9 Organisational systems management

9.1 Context

Requiring ISO certified systems was a reform initiated by IPART in all public water utility operating licences to ensure assets and systems are managed to best practice international standards. Independent certification of systems provides assurance of an effective, efficient and consistent level of service to customers. It also allows the regulator to take a lighter touch approach to annual operational audits, reducing costs and audit burden on utilities while maintaining assurance of high quality services for customers. In line with this, we note that IPART has recently acknowledged the additional assurance provided through certified systems in their updated Audit Guideline, which applies a different audit approach to certified and non-certified management systems.⁴¹

9.2 Asset Management System

Question 23 – Do you agree with our preliminary view to maintain the obligation to have an Asset Management System but replace the International Standard with the Australian Standard and replace the reporting requirement on biennial State of the Assets Reports with a one-off Strategic Asset Management Plan? In addition, do you agree with our preliminary view to remove the certification requirement, the notification of proposed significant changes requirement and the completed transitional clauses?

Sydney Water supports IPART's preliminary views to:

- retain an Asset Management System obligation in the Operating Licence
- replace the reference to the International standard with the current Australian standard
- replace the obligation to notify IPART of proposed significant changes to the AMS with an annual reporting requirement covering any significant changes
- remove transitional obligations to develop the Asset Management System
- replace the State of the Assets reporting obligation with a one-off reporting requirement to provide IPART with a copy of the Strategic Asset Management Plan
- remove the requirement in the licence to certify the Asset Management System.

These changes appropriately remove prescriptive and the potential for duplicative or unnecessary reporting, while retaining the benefits of this type of requirement, which include increased assurance of high quality asset management outcomes, and reduced auditing burden on the utility.

The requirement to develop and certify an Asset Management System was included in our Operating Licence after the last review. Prior to and until this system was developed, Sydney Water was required to maintain and implement an Asset Management Framework, as defined in the previous licence. Sydney Water has now developed an Asset Management System (AMS) that is consistent with *International Standard ISO 55001:2014 Asset Management System – Requirements*. We are now in the process of having that system independently certified.

⁴¹ "Where a system is subject to an operational audit under the PWU's operating licence, the PWU may present the outcome of any surveillance or certification (or re-certification) report to the auditor, in lieu of a formal audit. Acceptance of the report in lieu of a formal audit will depend on whether the systems are certified or not certified." IPART 2018, *Audit Guideline – Public Water Utilities*, IPART, Sydney, p 6.

Effective asset management is at the core of our business, so that we can provide reliable, high quality services to our customers. One of the key roles of our asset management system is to align activities relating to our assets with our overarching business strategy. It also ensures that both physical and non-physical assets are managed in the most effective and efficient way possible, to achieve the desired balance between cost, risk and performance.

We are comfortable with changing the reference in the licence to the Australian version of the ISO standard, given they are identical in content.

We note that while the proposed reporting requirement appears to be a one-off requirement, the Strategic Asset Management Plan will be a living document that is subject to regular review and updated over time.

9.3 Environment management

Question 24 – Given there are other environmental regulatory instruments and policies in place to manage Sydney Water’s environmental performance, what are your views on maintaining or removing an EMS obligation in the amended licence? If the EMS obligations are retained, what are your views on removing the EMS certification and the requirement to notify IPART of any significant changes that Sydney Water proposes, and updating the clause to specify the most current standard? Do you or your organisation depend on Sydney Water having an EMS to achieve certain performance outcomes or mitigate certain risks?

Sydney Water is committed to providing services that protect and enhance the environment.

Sydney Water has an Environmental Management System (EMS) that is independently certified to International Standard AS/NZS ISO 14001:2015: *Environmental Management Systems – Requirements with guidance for use*. Our EMS is robust and mature, with certification having been maintained since 2005. The EMS provides the framework for developing, implementing, monitoring and reviewing our environmental objectives, actions and targets. These objectives and targets drive our management programs and focus on continuous improvement in environmental performance, as measured by a comprehensive suite of regulatory and environmental performance indicators.

The EMS provides a high level of assurance to customers, regulators and stakeholders that our systems and processes are managed according to standards of best practice, while facilitating improvements and efficiencies in environmental management. A number of previous Operating Licence requirements, for example, the requirement to prepare a five-year Environment Plan, have been removed from the licence over time, largely on the basis of the existence of the EMS. Our EMS also helps ensure Sydney Water has an appropriate framework in place to manage and mitigate environmental risks, meet regulatory requirements and continually improve.

Sydney Water is subject to a broad range of environmental regulation outside of the Operating Licence, for example Environment Protection Licences and planning instruments. However, these are predominantly focused on regulating our wastewater discharges to waterways, and assessing and mitigating the environmental impacts of our operations. The EMS provides a framework to address environmental regulation and mitigate risk, while maximising opportunities to enhance customer value in a commercially responsible way through all aspects of our business.

We support removing requirements to certify management systems and to notify IPART of any significant changes Sydney Water proposes to make. While certification provides numerous benefits, including additional assurance benefits and reduced auditing effort and costs, we agree this is appropriate to be an internal business decision.

From a customer outcomes perspective, there is no real difference between aligning to the international or Australian standards or being certified to those standards.

We support updating the clause to specify the most current standard. If Sydney Water chooses to continue to certify its management systems, all re-certifications need to be to the current standards.

9.4 Quality Management System

Question 25 – Given there are other obligations already in the licence to ensure Sydney Water delivers quality products and services, what are your views on maintaining or removing a QMS in the amended licence? If the QMS obligations are retained, what are your views on removing the QMS certification and the requirement to notify IPART of significant changes that Sydney Water proposes, and updating the clause to specify the most current standard? Do you or your organisation depend on Sydney Water having a QMS to achieve certain performance outcomes or mitigate certain risks?

As Sydney Water transforms itself into a customer centric organisation, standardised management systems give us the tools to harmonise what we do so that we can provide a consistent customer experience. A Quality Management System (QMS) provides a framework that all other management systems can align to, which will place the business in a strong position for future integration of its management systems. Future integration of our management systems will also create productivity efficiencies.

Sydney Water has a Quality Management System (QMS) independently certified to International Standard ISO 9001:2015: Quality management systems - Requirements. The system, certified in March 2018, is an integral part of Sydney Water's management system framework which includes a certified Environment Management System (EMS) and an Asset Management System (AMS). The QMS provides a high level of assurance to our customers, regulators and stakeholders that our systems and processes are managed according to international standards of best practice. The QMS helps Sydney Water to manage and mitigate risks, meet regulatory requirements, generate efficiencies and continually improve to meet our customer and stakeholder expectations.

We support removing requirements to certify management systems and notify IPART of any significant changes Sydney Water proposes to make. As noted above, while certification provides numerous benefits, we agree this is appropriate to be an internal business decision.

We support updating the clause to specify the most current standard. If Sydney Water chooses to continue to certify its management systems, all re-certifications need to be to the current standards.

10 Customers and stakeholder relations

10.1 Customer and consumer licence obligations

Question 26 – Do you agree with our preliminary view to update the existing obligations for customer protection on the ways Sydney Water communicates with customers?

Providing information

We support updating the existing obligations regarding communication with customers to allow for more updated methods of communication. This change is consistent with the *Electronic Transactions Legislation Amendment (Government Transactions) Act 2017*. The Act supports the NSW Government's commitment to deliver more convenient and more efficient services to the public through digital channels.

Using the Sydney Water website and including notices with bills may be more effective methods of communication with customers rather than newspaper advertising. The Sydney Water website consistently has in excess of 450,000-page views each month, and is available for all consumers to access, not just customers who receive bills (property owners).

As noted in the Issues Paper, Sydney Water's current practice for providing customers with information required under the Operating Licence, such as the Customer Contract summary, is to do this as part of our billing communications (that is, in the same format that they have chosen to receive their bill).

In cases such as notice for restriction and disconnections, an eBill customer will receive an email reminder; however, subsequent notices will be delivered to the property address, as it is important that these notices go to the occupant. For residential customers, we will use our best endeavours to make further contact by phone or in person prior to restriction or disconnections.

Our preference would be for the licence to allow Sydney Water flexibility in choice of channel, as appropriate for the message or content to be communicated, rather than prescribe the form of communication required. We may still publish information in newspapers if this is an effective channel to reach our target audience. For example, during water restrictions in the Millennium Drought, we advertised in newspapers, on radio and on television. However, for future campaigns, a combination of radio, television and social media campaigns may be sufficient to reach a broad cross-section of the population without the use of newspaper advertising.

We plan to continue to use the following communication methods for the various customer information requirements in the Operating Licence:

- Our Contract with you – a brief explanation of the Customer Contract including a summary of key rights and obligations of customers provided to customers with their bill once per year, made available on the Sydney Water website or provided on request
- full Customer Contract – available on the website or provided on request
- financial hardship policy and associated procedures – available on the website or provided on request
- payment assistance and rebates – an explanation of assistance options available provided to customers with their bill once per year (currently included in the WaterWrap newsletter), made available on the website or provided on request

- complaints handling – information on complaints handling included annually in our Customer Contract summary and our WaterWrap newsletter provided to customers with their bill. It is also available on the website or provided on request
- external dispute resolution scheme – information on external dispute resolution included in the Customer Contract Summary that is issued with the bill once per year and our WaterWrap newsletter provided to customers with their bill. This information is also on our website.

10.2 Other customer and consumer issues

Consumers

This section and its title may be a little misleading to the reader. There are a number of other Operating Licence and Customer Contract provisions that relate to consumers; however, clause 5.3.1 only relates to ‘Complaint handling and Complaint resolution procedures’. We recommend moving this clause to the section regarding internal complaints handling.

Sydney Water does not differentiate between customers and consumers regarding complaint management. This is detailed in the Sydney Water [Complaint Policy](#), available on the Sydney Water website.

Internal complaints handling

Sydney Water is not proposing any changes to these obligations.

Sydney Water maintains a complaints handling system consistent with AS/NZS 1002:2014 – Guidelines for complaint handling in organisations. The system is audited routinely as part of the Operational Audit process with full compliance achieved regularly. Additionally, in May 2017, our system was independently certified by the Customer Service Institute of Australia (CSIA) to the CSIA – Complaints Handling Framework (CSIA-CHF 2015), an updated standard in line with AS/NZS 10002:2014.

External dispute resolution scheme

Under clause 5.7.1, Sydney Water is required to be a member of the Energy & Water Ombudsman NSW (EWON). Sydney Water supports maintaining this obligation.

However, we would like to clarify the requirement to “prepare a pamphlet that explains the operation of the dispute resolution service provided by EWON...”. The ‘operation’ of this service is determined by EWON, not Sydney Water. For accuracy, we request this wording be amended to require Sydney Water to provide a pamphlet that explains the **availability** of the dispute resolution service, rather than its operation.

Suggested wording changes to clause 5.7.2 to address this are noted below:

Sydney Water must:

- a) prepare a pamphlet that *advises the availability* ~~explains the operation~~ of the dispute resolution service provided by the Energy & Water Ombudsman NSW, *and how to access that service* including any right to have a Complaint or dispute referred to Energy & Water Ombudsman NSW ~~and how such a Complaint or dispute can be assessed~~

Assistance Options for Payment Difficulties and Actions for Non-Payment

Sydney Water is not proposing any changes to the Operating Licence or Customer Contract regarding financial hardship provisions. Our existing program is working effectively, with a high percentage of customers using the program having a successful exit back to mainstream billing. Over the past five years, more than 85% of residential customers who have been assisted through our hardship program have successfully exited, due to paying off their outstanding debt (see Table 10). Our comprehensive approach to referrals also enables customers to access a broad range of services to assist them.

Table 10 Percentage of residential customers who have received payment assistance and successfully exited

	2013-14	2014-15	2015-16	2016-17
Percentage of residential customers who no longer receive payment assistance by exiting the water utility's hardship program or payment plans because they have paid off their outstanding debt	83.0%	85.5%	91.4%	82.7%

10.3 Customer Contract

Question 27 – What are your views on Sydney Water's proposed Customer Contract that will be attached to its submission to this Issues Paper?

An updated version of the Customer Contract is provided at Appendix 4 for comment. As our Customer Contract is attached to the Operating Licence, the end-of-term review provides a good opportunity to amend the contract to ensure it is relevant and up to date.⁴²

We are proposing changes to the Customer Contract, to clarify customer responsibilities, update policy titles, reflect current business practice and enable potential future business changes. These include changes regarding:

- pressure sewer systems and equipment maintenance
- annual backflow device testing
- defective work and inspecting private pipes
- clarifying situations where we may disconnect or restrict supply to ensure consistency throughout the contract, and to protect our system from contamination
- removing newspaper references for publishing information
- removing prescription about restriction notice delivery, to ensure that these are delivered to the occupant of the property
- allowing for alternative charging for inaccessible or damaged meters, and ability to replace damaged meters
- allowing flexibility for Sydney Water to consider introducing discounts for billing and payment methods
- updating our rebates – in particular, we are seeking to better align these with customer views.

⁴² While the Customer Contract can be changed outside the licence review, this is rarely done.

Issue raised by IPART - maintenance responsibilities

In the Issues Paper, IPART has suggested that the ownership, maintenance responsibilities and who should pay for the repair of the 'main to meter' pipe requires clarification. IPART also recommended that Sydney Water consider using diagrams in the Customer Contract to assist customers understand maintenance responsibilities for pipes and meters.

Diagrams outlining general maintenance responsibilities are available on Sydney Water's website.⁴³ We currently do not have a diagram that refers to 'main to meter' repairs. While the responsibility for these types of repairs lies with the property owner (as the owner of the pipe), Sydney Water offers this repair as a free service, up to one metre inside the property boundary. This reduces leaks within the water system that would otherwise be unaccounted and not paid for (as it occurs before the customer's water meter).

We are happy to consider developing a diagram to help clarify the 'main to meter' repair service. However, we would prefer to retain flexibility to change or update diagram/s if needed by placing these on the Sydney Water website (or providing to customers on request), rather than including them in the Customer Contract. We note that we updated this wording in the Customer Contract during the last licence review, in response to customer feedback that the previous clause was confusing.

Issue raised by IPART – electronic billing

IPART has also suggested in the Issues Paper that current billing arrangements could be updated to further encourage electronic billing.

In July 2016, Sydney Water delivered eBills for customers. At the end of June 2018, we have more than 190,000 eBill customers, with net growth of 14,000-18,000 customers per quarter.⁴⁴

We promote electronic billing using the following methods:

- We launched eBills with a targeted marketing campaign in 2016. This included promotion via social media, our Waterwrap quarterly customer newsletter, our website and messaging on envelopes for paper bills.
- We continue to promote and encourage customers to switch to eBills via messages on the envelopes for paper bills and on our website. Contact Centre staff also inform customers of this option if appropriate or relevant to the customer's enquiry.

Our default option for billing is sending paper bills by post. We obtain customer information from NSW Land Registry Services, which is based on property addresses. When a property is sold, we cancel the existing electronic billing arrangements and revert to sending a paper bill. We are currently developing an 'onboarding' pack for new customers that will include eBill information. We cannot use eBills as our default option, as it requires customers to register their email address and a password. We are also aware that electronic billing may not be suitable or accessible for all customers.

The Customer Contract already allows for customers to request to receive bills electronically or to a nominated postal address (clause 4.4.3). We feel this provides an appropriate degree of customer choice and are not proposing any changes to this.

We are currently investigating the possibility of offering a discount as a financial incentive to switch to electronic billing from paper billing (see Section 10.6).

⁴³ Information and diagrams outlining customer and Sydney Water maintenance responsibilities are available on Sydney Water's website on the 'General plumbing information' page. This can be accessed at [sydneywater.com.au](http://www.sydneywater.com.au), see this page <<http://www.sydneywater.com.au/SW/your-home/moving--renovating---building/general-plumbing-information/index.htm>>

⁴⁴ This includes account cancellations.

Issue raised by IPART – consistency of definitions

IPART has recommended that consistent definitions be used in the Customer Contract and Operating Licence. We have attempted to address this in our proposed Customer Contract. We note that some of the inconsistencies may have been intentional, in an attempt to keep the language used in the Customer Contract more customer-focused, compared to the Operating Licence. We are interested to hear stakeholder views on whether any of the proposed changes detract from ease of understanding for the general public.

10.4 Changes proposed by Sydney Water

We sought comment from our Customer Council on a draft version of the updated contract. We received feedback from PIAC. A summary of our proposed changes to the Customer Contract is provided in Table 11 below.

Table 11 Summary of Sydney Water's proposed changes to the Customer Contract

Proposed change/s	Reason
Section 1 Introduction	
No changes proposed	
Section 2 What is a customer contract and who is covered by it?	
2.1 What is a Customer Contract? Clause updated to note that customers do not need to sign the contract for it to be valid and binding	To reduce ambiguity and clarify that this is a deemed customer contract
2.3 Other agreements with us Updated to include additional examples of separate agreements and improve clarity Sub-headings included to refer to additional services and a different level of service	To improve clarity regarding different types of agreements that this clause could refer to
2.4 When does this Customer Contract commence? Updated for new commencement date	To reflect new commencement date in line with expected date of commencement for the next Operating Licence
Section 3 What services does Sydney Water provide?	
3.2.3 Trade wastewater Updated to note that Sydney Water may refuse to accept trade water into our system	Additional wording included to give Sydney Water the right to refuse trade waste into our wastewater system. This will improve clarity and protect our system.
3.2.4 Pressure wastewater system connection Moved to Section 8	Details on pressure wastewater systems are now covered in Section 8 – 'Responsibilities for maintenance'
3.4.4 Water restrictions Remove reference to publishing in newspapers to allow greater flexibility in communications channels	Condition amended in alignment with <i>Electronic Transactions Legislation Amendment (Government Transactions) Act 2017</i> , which encourages the use of digital methods of communication

Proposed change/s	Reason
	This will allow Sydney Water to choose to publish information in newspapers where this would be an effective way to reach our target audience, but not be required to do this if alternative methods are equally or more effective.
Section 4 What you pay	
4.4.3 How bills are sent Include reference to discounts for different types of payment and billing methods	To allow flexibility for potential introduction of discounts for different billing methods. We want to encourage the use of lower cost channels, and pass cost savings on to customers.
4.4.4 How to make a payment Include reference to discounts for different types of payment and billing methods	To allow flexibility for potential introduction of discounts for different payment methods. We want to encourage the use of lower cost channels, and pass cost savings on to customers.
4.9 How prices are determined Amended to refer to prices for services provided under the Operating Licence	To clarify that determined prices relate to services provided under the Operating Licence (not unregulated services or prices)
4.11.4 Charges for other services Wording added to refer to potential different level of service	To improve clarity that we may charge for the provision of a different level of service. The clause already notes that to the extent this is not covered by a price determination, Sydney Water can determine an appropriate charge.
Section 5 What can I do if I am unable to pay my account?	
5.1 Payment difficulties and assistance options No changes proposed	
Section 6 Disconnection or restriction of water and wastewater services	
6.1 Restriction or disconnection Update wording regarding the provision of information on non-payment policies	Wording updated to direct customers to website for information on our policies. Information on restriction or disconnection for non-payment is included in our Customer Contract summary sent to customers each year.
6.3 Conditions for restriction or disconnection of supply of water for non-payment by customers Update reference to 'Assistance options for payment difficulties and action for non-payment' policy to refer to current policy title – 'Payment assistance and overdue payments' policy	Update policy reference to reflect current title Sentence on providing notices in the same manner of bills removed, as this would not allow appropriate notice

Proposed change/s	Reason
Removed sentence that refers to notices referred to in this clause will be sent in the same manner in which bills are sent	for occupants. eBill customers receive initial email reminders for overdue bills; however 7-day and 48-hour notices revert to paper notices sent to the property address, to ensure the occupant (for example, a tenant) is informed.
6.4 Restriction or disconnection for other reasons Update in line with proposed changes to clarify maintenance responsibilities	To provide clarity that Sydney Water may restrict or disconnect a service if customers do not meet their maintenance responsibilities, as this may pose a risk to Sydney Water's system and the reliable and safe supply of services to other customers
Section 7 Redress	
7.2 Rebates Values amended to reflect CPI adjustment. We would like to make further changes to the types and amounts of rebate values, to better align these to customer views. However, we are still testing our proposed changes with customers, so have not included these in the updated contract at Appendix 4	We want to amend rebate values and events to better align with customer views. Our proposed changes are outlined in Section 10.5 of this submission, and have not yet been incorporated in the proposed new Customer Contract, as we are still testing these with customers. We will provide further advice to IPART as soon as we can, and confirm our proposed changes publicly in our submission to the draft Operating Licence.
Section 8 Responsibilities for maintenance	
8.1 Water pipes Updated to note exclusion of combined services from the main to meter repair service offered by Sydney Water Include new clause to state that customers are required to carry out an annual test of backflow prevention devices and Sydney Water may charge a fee to arrange an annual test if the customer fails to do so	To improve clarity, we have proposed changes to clarify circumstances where we offer a free repair service, and where this service is not offered (exclusions). We have also clarified that fire services can include combined services. The new clause regarding testing of backflow prevention devices is needed to protect our water system from contamination
8.2 Wastewater pipes Updated maintenance responsibilities to refer to pressure sewerage equipment components and ownership arrangements Updated to clearly identify that customers are responsible for ensuring maintenance of their pipes, to avoid rainwater entering our wastewater system	To improve clarity, we have spelt out that customers are responsible for privately owned pressure sewerage equipment. Pressure sewerage equipment, generally comprises of a collection tank, a pump, an alarm control panel, electrical connections and ancillary items. It may be owned by Sydney Water or the customer, depending on who installed the pressure sewerage equipment, as well as the type of wastewater system they connect to. To help maintain capacity of our wastewater system

<p>8.2 Wastewater pipes</p> <p>Updated maintenance responsibilities to refer to different types of pressure sewerage equipment and ownership arrangements</p> <p>Updated to clearly identify that customers are responsible for ensuring maintenance of their pipes, to avoid rainwater entering our wastewater system</p>	<p>To improve clarity, we have spelt out that customers are responsible for privately owned pressure sewerage equipment. Pressure sewerage equipment, generally comprises of a collection tank, a pump, an alarm control panel, electrical connections and ancillary items. It may be owned by Sydney Water or the customer, depending on the type of wastewater system and connection to our wastewater network.</p> <p>To help maintain capacity of our wastewater system</p>
<p>8.3 Pressure wastewater systems</p> <p>Title of clause changed to “Pressure sewerage equipment”.</p> <p>Wording amended to clarify responsibilities for maintenance between Sydney Water owned and privately owned pressure sewerage equipment</p>	<p>To improve clarity regarding responsibilities for maintenance for different types of wastewater connections. Namely, that customers owning pressure sewerage equipment are responsible for maintaining that infrastructure.</p>
<p>8.7 Defective work</p> <p>Updated to clarify that defective work includes unmaintained pipes that are impacting our water or wastewater system</p>	<p>To improve clarity and allow Sydney Water to take action where defective private pipes are causing an impact to our systems</p>
<p>8.9 Building work</p> <p>New clause that states we may also disconnect the property from our water, wastewater and stormwater drainage system</p>	<p>To enable clause 6.4 to be effective – clause 6.4 states that we may restrict or disconnect for other reasons, e.g. the property owner not complying with the operation and maintenance requirements of the pressure sewerage system.</p>
<p>Section 9 Entry onto a customer’s property</p>	
<p>9.1 Access to Sydney Water’s systems</p> <p>Updated to allow access to identify if private pipes comprise defective works</p>	<p>To enable clause 8.7 to be effective – we currently have provisions to rectify defective or unauthorised work, if we are become aware of them.</p>
<p>Section 10 Water meter reading, installation, testing and maintenance</p>	
<p>10.1 Installing and maintaining a meter</p> <p>Reference to Australian standard added to clause requiring an approved backflow prevention device</p> <p>Example added of a data logger</p>	<p>To protect water quality in our system</p> <p>To improve clarity</p>
<p>10.2 Measuring water supplied</p> <p>Updated to describe how we may charge a property as an ‘unmetered property’ for water use where we</p>	

have made three attempts to contact the customer to arrange to repair or replace a meter	To allow Sydney Water to charge the regulated unmetered property charge for water use where we have been unable to replace or repair a meter
10.4 Access to the water meter Changing reference to not providing reasonable and safe access to your meter for reading or maintenance to three, instead of two, occasions	To make the contract consistent with the 'inaccessible meter' charge in Sydney Water's price determination
10.5 Meter replacement Updated to allow for replacement of meters damaged by a person acting on the customer's behalf	To remove a loophole allowing for intentional damage to a meter by a person acting on the customer's behalf
Section 11 Who can I speak to if I have any questions or want to make enquiries?	
11.4 Leaks and faults assistance Updating to include reference to phone number	Including phone number in contract for ease of access, rather than re-directing customers to the website
Section 12 If I am unhappy with the service provided by Sydney Water what can I do?	
No changes proposed	
Section 13 Consultation, information and privacy	
Removed reference to the Privacy Policy	Replaced with general reference to privacy information on the Sydney Water website to allow more flexibility in updating policy and providing information in an accessible format for customers
Section 14 When does my Customer Contract with Sydney Water terminate?	
14.2 Variation of this contract Reference to publishing any variation in a newspaper replaced with 'as required by the Sydney Water Act'	This is in anticipation of changes to the Sydney Water Act, in line with recent changes to other parts of the Act to remove references to newspaper publication of information, and allow for other forms of communication with the community
Section 15 Definitions and interpretation	
Several definitions updated to align with proposed changes to contract and Operating Licence definitions New definitions added for pressure wastewater equipment and pump-to-sewer equipment to distinguish between Sydney Water and customer responsibilities for maintaining different types of equipment	For consistency throughout contract and with Operating Licence To improve clarity

10.5 Rebates

Another key area of potential change in the Customer Contract relates to rebates. We would like to better align our rebates with customer views and preferences. However, we are still engaging with customers on potential changes, so we have not included these in the updated contract provided at Appendix 4

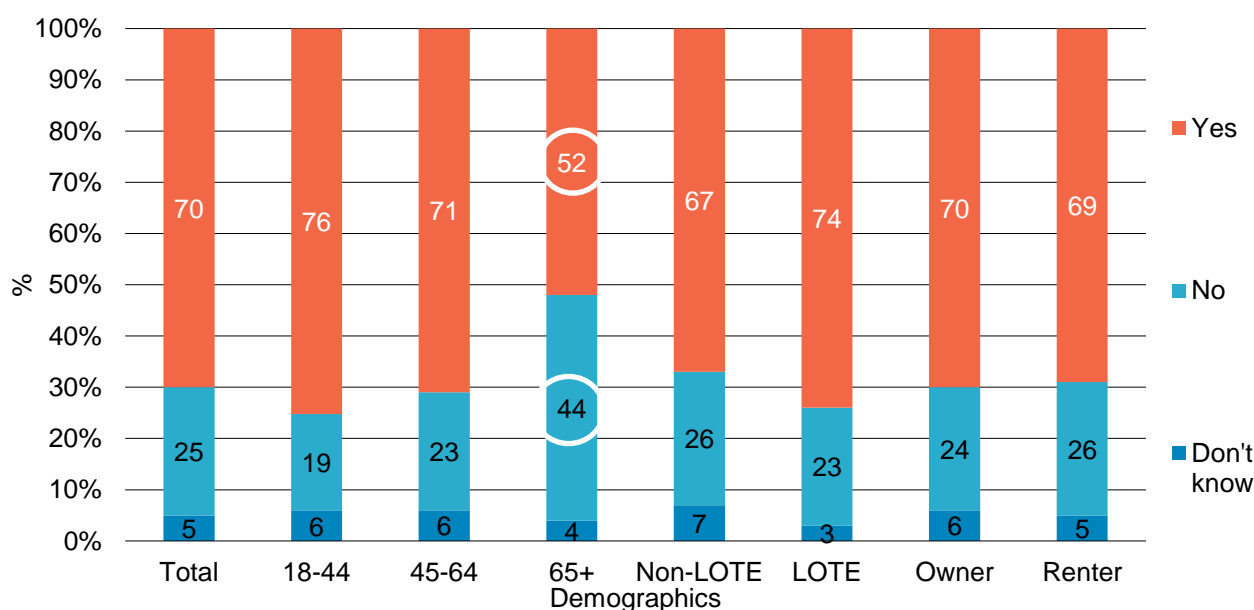
The Customer Contract currently contains rebates for various events where Sydney Water does not meet its commitments to customers. We currently pay approximately \$5 million each year for these types of rebates. These rebates are not funded from customer bills or as Community Service Obligations, but are a loss to Sydney Water.⁴⁵

Most of the Customer Contract rebates are related to our Operating Licence system performance standards; however, there is not an exact correlation. For example, we currently pay rebates for both planned and unplanned water service interruption greater than five hours, while we only have a licence standard for unplanned interruptions greater than five hours.

We sought customer views on these rebates in Phase 1 of our customer engagement program. In summary, customers favour and expect rebates continuing, though very few were aware of them prior to the forums.⁴⁶ Generally, they preferred rebates to be paid automatically, rather than on application (see Figure 15 and

Figure 16). Customers think this is an easier and fairer way to administer rebates.

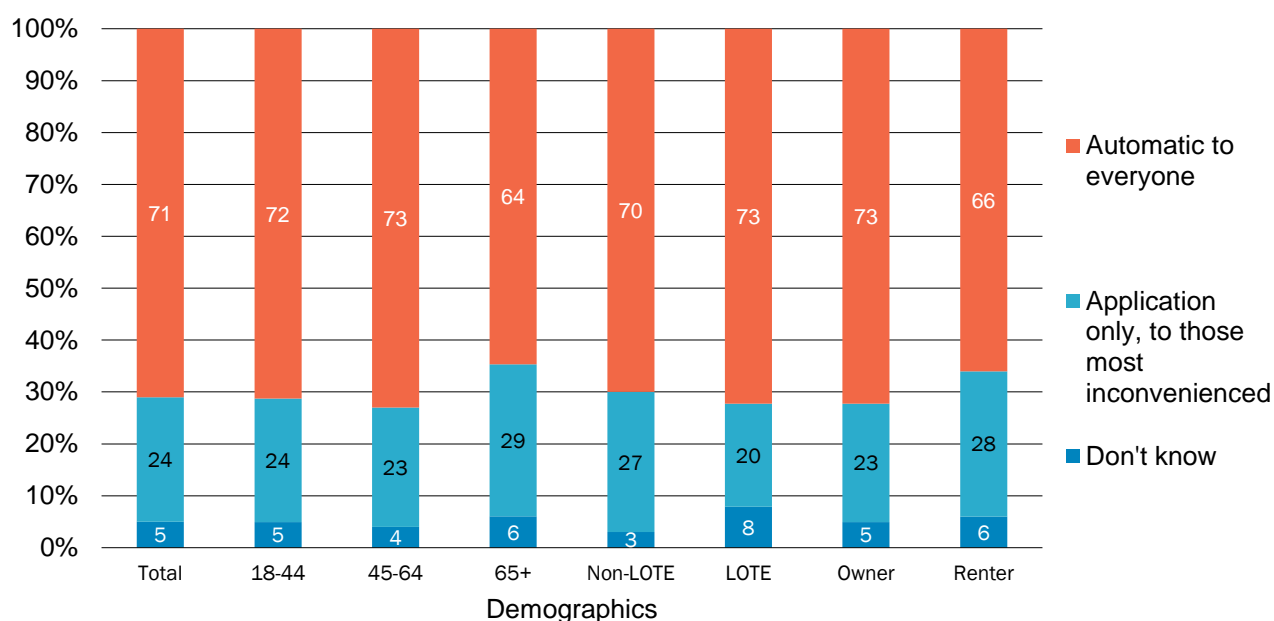
Figure 15 Response to question 'In general, would you expect to receive a rebate for service failures such as water interruptions, low water pressure or wastewater overflows?'



⁴⁵ Sydney Water also provides allowances for numerous other circumstances including for customers requiring dialysis, hidden leaks in homes, during bushfire events and rebates for pensioners. Allowances are funded by Sydney Water, and pensioner rebates are funded by Community Service Obligations from NSW Treasury.

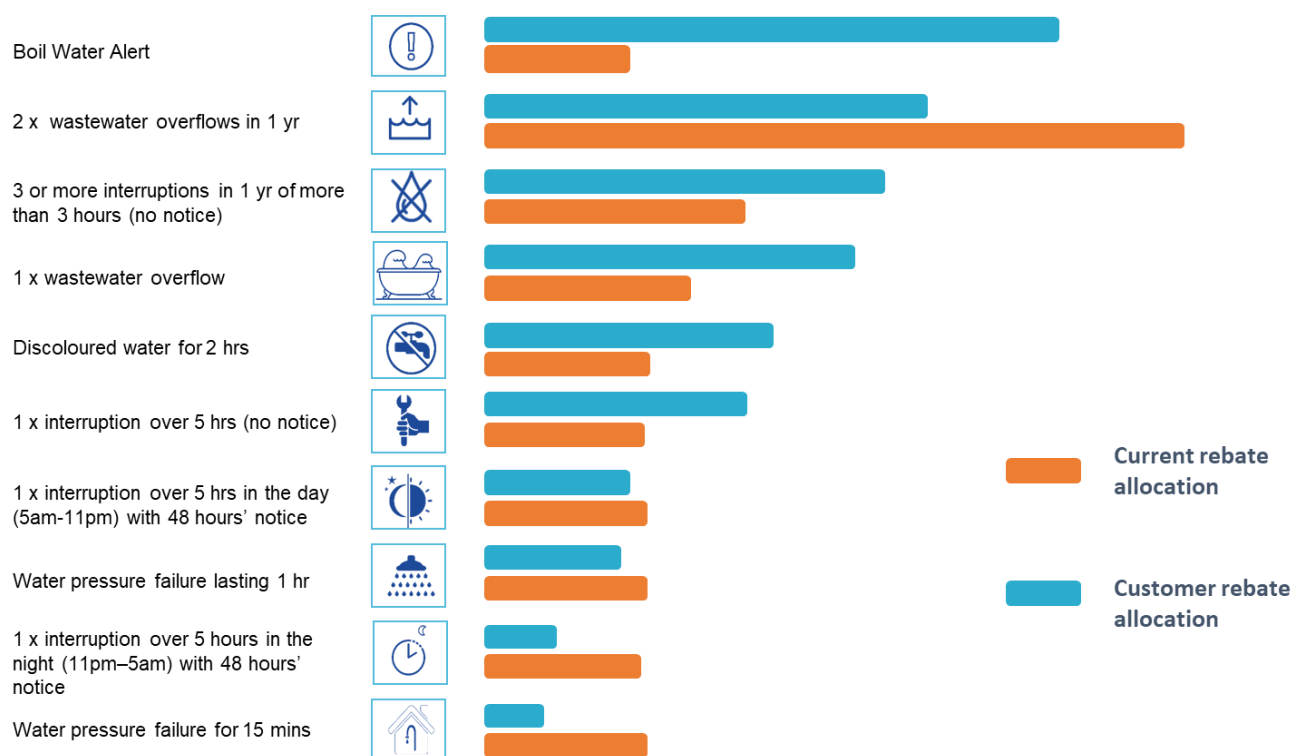
⁴⁶ Younger people particularly were more likely to support rebates continuing compared to older people. The Centre for International Economics 2018, *Final Report Customer-informed IPART submission (CIPA) Phase 1*, prepared for Sydney Water, The Centre for International Economics, Canberra, p 91.

Figure 16 Response to 'If rebates are paid, should customers automatically receive them, or should they be paid only on application?'



To ascertain customer priorities, participants at the forums were given a token allocation exercise, allocating 100 tokens to a series of ten events according to the level of rebate they perceived each event should attract. Customers were not shown the values of current rebates, so as to not influence the ranking exercise. A comparison of the token allocation relative to current values is shown below in Figure 17.

Figure 17 Comparison of customer token allocation and current rebate values



Key findings from the token allocation exercise were that:

- Customers expected a high rebate when a boil water alert was required
- The current rebate for repeat wastewater overflows was higher than the relative token allocation
- Customers allocated fewer tokens for planned interruptions or water pressure failures, particularly planned interruptions at night or water pressure failures of shorter durations.

In response to customer feedback Sydney Water proposes to:

- retain automatic rebates
- increase all rebate values by CPI
- revise the values of rebates to better align with the ranking and relative value of events identified by customers in our Phase 1 customer forums.

While we have proposed to realign the value of individual rebates to better reflect customer views, we are proposing to retain the existing types of events. This is something we may reconsider in future reviews, especially in light of any broader review of licence service standards.

An overview of our proposed revised rebates and values is noted in the table below. We have not yet included these revised values or events in our updated Customer Contract at Appendix 4 as we are validating potential changes with customers.

Event	Existing rebate	Proposed rebate	Reason
<i>Planned interruption > five hours</i>	\$35	\$20	Halved to reflect less inconvenience of a planned interruption compared to an unplanned, due to notice provided to the customer
<i>Unplanned interruption > five hours</i>	\$35	\$40	Maintained with CPI Customers indicated lengthy unplanned water interruptions to be a highly inconvenient event
<i>Repeat unplanned interruptions > one hour (in a 12-month period)</i>	Water service charge, paid after 3 events varies for non-residential	Water service charge, paid after 3 events About \$80 for residential Varies for non-residential	Maintained as refund of service charge Customers indicated support for rebates for repeat events, which were rated as much more inconvenient than one-off events
<i>Wastewater overflow onto private property</i>	\$60	\$75	Value increased to reflect customer sentiment. The value is now nearly twice that of an unplanned water interruption rebate
<i>Repeat wastewater overflows onto private property (in a 12-month period)</i>	Wastewater service charge, paid after 2 events varies for non-residential	Increasing rebate on sliding scale 2 events - \$150	Values adjusted so that a second overflow is twice the amount of a single overflow Full service charge is now refunded after the third event

		<p>3 events – wastewater service charge</p> <p>About \$600 for residential</p> <p>Varies for non-residential</p>	<p>This aligns with relative values indicated by customers (in terms of two wastewater overflows compared to three unplanned water interruptions)</p> <p>In total, customers experiencing three overflows will get a greater cumulative rebate.</p>
<i>Water pressure failure > fifteen minutes (excludes operational-related failures, eg due to main breaks)</i>	\$35 (paid once per quarter)	<p>Nil for one-off events</p> <p>Water service charge, paid after 3 or more events in a 12-month period</p> <p>About \$80 for residential; varies for non-residential</p>	<p>Rebate removed for one-off events to reflect customer views that these events have a low level of inconvenience</p> <p>New rebate introduced for repeat events, to acknowledge inconvenience of recurrent problem</p>
<i>Dirty water event (usually due to sediment in pipes after maintenance)</i>	\$35	\$40	<p>Maintained with CPI</p> <p>Some customer sentiment that this should increase; however, in the ranking exercise this event rated as roughly the same value as an unplanned water interruption.</p>
<i>Boil water alert/s issued by NSW Health for water quality incident (one rebate per incident)</i>	\$35	\$50	<p>Increased to reflect customer sentiment and potential duration</p> <p>Customers rated this event very highly. Due to the nature of these types of events, the value of this rebate has a significant financial impact on Sydney Water, in the very rare case that a boil water alert may occur.</p>

Sydney Water is currently updating its billing system. To ensure a smooth transition to the new system and minimise disruption to customers, there is a system change freeze in place until June 2020. If our proposed changes to rebates are supported in Phase 2 of our customer engagement program, we may need to consider our ability to incorporate some of these into the new billing system to meet the timeframes for this review, or seek a transitional period for proposed changes.

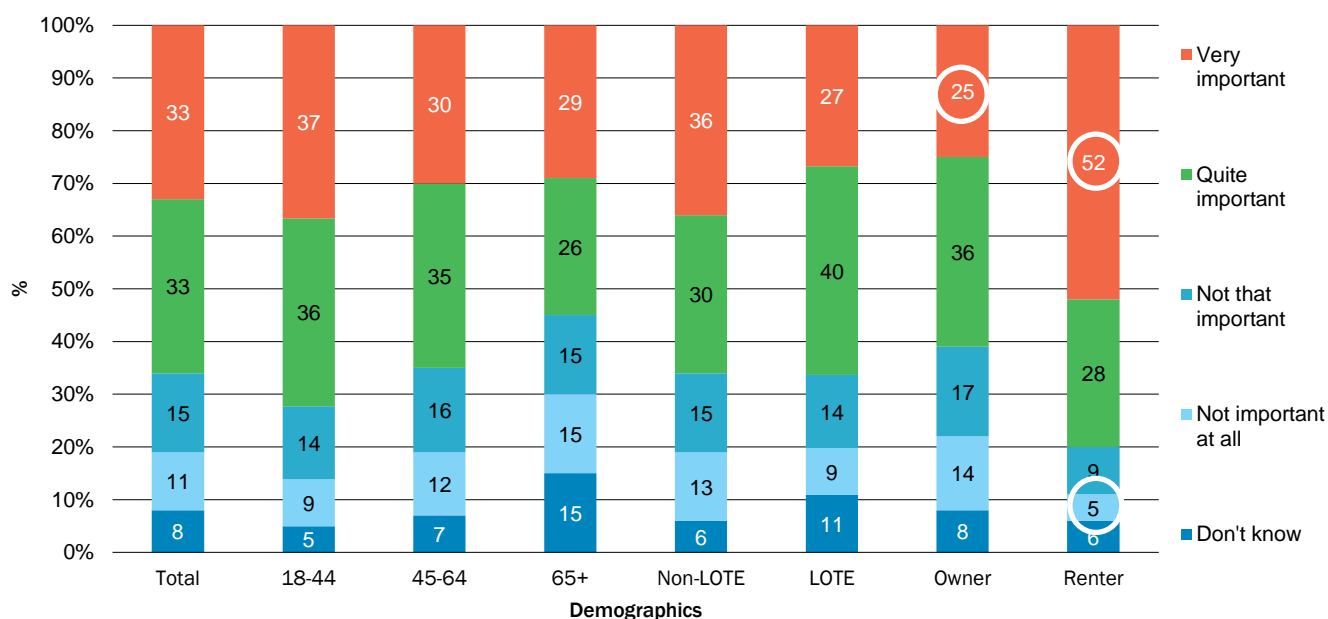
Other issues and potential future change

In small group discussions, businesses noted that they expected higher rebates than those paid to citizens, due to potential loss of business.

However, the role of private business interruption insurance was not discussed in these groups.⁴⁷ Business customers who have a larger meter size currently do receive larger rebates for events where the rebate is based on the service charge (as service charges increase for larger connections). Other water utilities that provide rebates tend to apply the same fixed dollar amount for all customers.

Participants at deliberative forums and small groups also discussed the issue of rebates being provided to property owners. Overall, participants expressed support for Sydney Water considering ways of providing rebates that could be more easily passed on to renters. Participants in financial hardship discussion groups were also likely to say that the occupier should receive the rebate rather than the home owner (if the homeowner did not occupy the property), particularly if the occupant paid some of the bill.

Figure 18 Providing rebates to renters



We have not proposed changes for either of these areas. As noted above, we are not proposing large-scale changes to rebates or who they are paid to in this review. Large-scale changes, particularly in how rebates are applied, would require significant system changes and will need to be considered after we implement new systems. We are seeking to avoid system changes where possible prior to June 2020, to enable a smooth transition to our new billing system.

⁴⁷ The Centre for International Economics 2018, *Final Report Customer-informed IPART submission (CIPA) Phase 1*, prepared for Sydney Water, The Centre for International Economics, Canberra, p 91. This issue was discussed at both deliberative forums and small group discussions; however, Sydney Water staff and subject matter experts did not attend the small group discussions, other than as observers.

10.6 Fees and discounts

We also sought customer views on the option of offering discounts and / or charging fees for bill receipt and bill payment methods via online surveys. Our interest in this was prompted by customer enquiries about discounts or incentives for on time payment and / or opting to receive electronic bills.

Overall, customers largely favoured introducing a discount for e-billing, regardless of their current delivery method.⁴⁸ Support was stronger among citizens than business customers, particularly among younger people.⁴⁹ However, there was not an indication of strong support for a fee for paper billing. The perception of rewarding customers who agree to be served by modern electronic communication methods rather than paying extra for traditional communication methods appears to be important to customers. About half of customers currently receiving paper bills did not have an explicit preference for this method, and more than half of these customers indicated they would switch to email bills if a fee or discount was introduced. Views were more split on financial incentives or penalties to switch payment channels.⁵⁰

We will continue to consider this issue as part of our price proposal. Our current preference is to introduce a discount to encourage e-billing and, potentially, the use of direct debit or other lower cost payment channels. This would allow cost savings (or a proportion of them) to be passed on to customers who choose to use lower cost channels. The extent of savings will also need to be considered in light of potential efficiencies that may be provided by our new billing system. However, so that this type of change is not inhibited by the Customer Contract, we have proposed amendments to allow this to occur.

Since starting to investigate this retail offering, we have become aware that from 1 January 2018, energy retailers were banned from charging fees for paper bills or fees for paying through Australia Post to any electricity customer.⁵¹ We will consider this as part of our ongoing investigations.

⁴⁸ Interestingly, support for a \$2 discount was lower than support for a \$1 discount, with many more citizen respondents indicating 'no opinion / don't know' in response to the \$2 discount. The \$1 discount was also given a higher level of support than a \$2 discount by business customers. It is not clear from the survey responses why this is the case. The Centre for International Economics 2018, *Final Report Customer-informed IPART submission (CIPA) Phase 1*, prepared for Sydney Water, The Centre for International Economics, Canberra, p 103.

⁴⁹ *ibid.* p 105.

⁵⁰ *ibid.* p 9.

⁵¹ See the 'Your rights as an energy consumer' page on the Department for Planning and Energy website at www.energy.nsw.gov.au/energy-consumers/your-rights

11 Customer Council and customer engagement

11.1 Customer Council and other methods of customer engagement

Question 28 – What are your views on the effectiveness of the existing Customer Council?

Our Customer Council helps us engage with organisations that represent different types of customers and consumers. The Council plays an important advisory role to Sydney Water, particularly in representing views on behalf of the customers and community groups they represent. In addition to the Council, Sydney Water is involved in numerous other consultative, environmental and stakeholder groups, which provide community and stakeholder input to specific projects.

Sydney Water conducts quarterly meetings with the Customer Council and uses it extensively as a sounding board to obtain stakeholder and customer insight into strategy and project development. For example, advice from the Council has recently been used to influence projects including the evolution of our corporate branding, changes to our customer service strategy, and the development of our customer engagement program. Outside of the quarterly meetings, Council members are invited to attend Sydney Water events, provided draft versions of strategies or documents for comment, and given updates that they are encouraged to share with members of their organisations. Sometimes members also meet with Sydney Water staff to discuss topics or projects or particular interest. This helps Sydney Water gain an external perspective on initiatives and projects during development.

Sydney Water also participates in or contributes to members' projects, for example, we are currently participating in a project being led by the Public Interest Advocacy Centre (PIAC) on company policies regarding disconnection of customers for non-payment of bills.

Our current Customer Council members represent the following bodies:

- Urban Development Institute of Australia (UDIA)
- NSW Council of Social Service (NCOSS)
- Public Interest Advocacy Centre (PIAC)
- Local Government NSW
- Ethnic Communities Council
- Total Environment Centre
- Multicultural NSW (formerly Community Relations Commission)
- Illawarra Forum Inc
- Nature Conservation Council
- Sydney Business Chamber
- Council of the Ageing (COTA)
- People with Disabilities, Australia
- Illawarra Local Aboriginal Land Council.

Council membership was expanded in this licence term to reflect additional categories added in the last licence review, namely, older people, people with disabilities, Indigenous Australians, and people from non-English speaking backgrounds (previously, this category referred to people from linguistically and culturally diverse backgrounds).

Sydney Water makes copies of the Customer Council Charter and minutes from Customer Council meetings available on Sydney Water's website (or upon request to the Contact Centre).

While our Customer Council plays a valuable role in providing insight on behalf of the customers and community groups that they represent, Sydney Water is also seeking to engage more directly with our customers. We agree that the current Customer Council is not the most effective way to do this, and that Sydney Water should engage more directly with its end user customers to understand their views and preferences, particularly regarding level of service, pricing and business planning decisions. The way we engage with stakeholders and customers will be critical to our future success as we face the challenges of growth, renewal and enhancement of our network.

We have a corporate commitment to put customers at the heart of everything we do, which will mean involving our customers in decisions that impact them. We are doing this through:

- undertaking a broad customer engagement program in 2018 to inform our submissions to our key regulatory reviews, as well as ongoing business decisions and strategy setting
- establishing and strengthening our internal capability to engage with customers on an ongoing basis
- deploying a Voice of the Customer feedback capability to measure customer experience and sentiment during their interactions with Sydney Water
- evolving our existing customer sentiment tracking studies to better understand the external brand positioning of the corporation among the broader community
- evolving our stakeholder and major customer sentiment tracking programs to better understand the experience and sentiment of our non-residential customers and partners, including developers, planners, councils, major businesses and suppliers.
- more active engagement with WIC Act licensees to better understand how we can facilitate their participation in the market.

In addition, we will also continue project specific engagement, for example, when we are doing a major construction project in a suburb or developing plans for major infrastructure investments.

We agree with IPART's principles for customer engagement outlined in its *Guidelines for Water Pricing Submissions* that engagement should be relevant, representative, proportionate, objective, clearly communicated and accurate. Our preference is to not impose licence obligations to do this. This is a business decision, and we have strong existing drivers to pursue customer engagement. These include IPART's own guidelines noted above, our principal objectives under the Act to be a successful business and have regard to the community in which we operate, and our own corporate commitments.

If IPART does include licence obligations for customer engagement, these do not need to be specifically related to the Customer Council (see our response to Question 30 below).

What our customers think about customer representation

As part of Phase 1 of our customer engagement program, we asked customers (at deliberative forums and in Languages Other than English (LOTE) and small business discussion groups) for their views on how Sydney Water should get feedback from customers and the community. We also asked about their views on the membership and value of the Customer Council.

The key findings from these activities were:

- Customers at the forums favoured the use of forums for obtaining community feedback, supplemented by group discussions and online surveys.
- Customers have some concerns over the use of advisory panels, phone surveys and social media.
- There was no awareness of the Customer Council among participants. However, after it was explained to them, most supported the idea of the Customer Council, if used with other forms of engagement.
- Most saw the Customer Council as a 'mid-tier' consultation group to represent special or minority interests (with some seeing it as a politically correct or tick box exercise).
- The Customer Council was not seen to represent 'regular' customer views; however, participants found it difficult to see how it could or did not favour regular customers being included as council members.
- In summary, many thought the Council should be left as is, possibly with a different name, with the views of the broader 'regular' customer views being obtained through other methods, such as forums, surveys and group discussions.

11.2 Composition of the Council

Question 29 – Do you agree with our preliminary view on the composition and role of the Customer Council?

Our preliminary view is that we should amend existing obligations on the composition of the Customer Council to require experts in customer engagement to enable Sydney Water to engage in a way that is representative of its entire customer base including groups or individuals representing diverse views.

Based on feedback from our customers, we are happy to retain the Customer Council largely as is, with a name change to Community Advisory Council. Our current Customer Council members agree this name better reflects the nature of its members. We will then continue to use other forms of customer engagement to obtain broader customer views.

We do not support IPART's preliminary view to require Council members to be customer engagement experts. Sydney Water should be free to engage its own expert service providers to conduct engagement activities, with the flexibility to change providers and approaches as needed and fit for purpose.

Council membership based on customer engagement expertise could create conflicts of interest in recruiting for providers, may be difficult to achieve and implement in practice, and is likely to incur greater costs.⁵² Moreover, as acknowledged in IPART's preliminary view on its role, the advisory remit of the Council is, and should remain, broader than customer engagement alone.

Instead, our preference is for the licence to adopt a light-handed regulatory approach, that allows Sydney Water to determine members as it sees fit. This appears to be in line with the *Sydney Water Act 1994*, which states that (emphasis added):

*(1) An operating licence must also include terms or conditions that require the Corporation to establish and regularly consult with one or more Customer Councils, each consisting of persons appointed from time to time **by the Corporation***

*(2) The Corporation is to consult with the Customer Councils from time to time, **as the Corporation thinks fit**, in relation to the provision of the systems and services referred to in this Part⁵³.*

This appears to indicate that both the membership of the Council and the scope of consultation should be left to Sydney Water's discretion. We agree that the Council itself does not effectively represent the overall customer base. However, this is not stipulated as a requirement under the Act.

There are several models used for customer representative forums, including Customer Challenge Groups used in the UK by water utilities, as referred to by the Issues Paper. These groups may include customer engagement or subject matter experts, but more typically include stakeholder representatives, such as local authorities and environmental groups, and organisations representing customers with specific needs (eg Age UK or Citizens Advice).

Another example is the Consumer Challenge Panel (CCP) model used by the Australian Energy Regulator (AER). Upon establishment, the CCP called for expressions of interest with the following suitability criteria:

- energy industry, particularly regarding network regulation and regulated network businesses
- regulatory experience and expertise
- economics, finance, accounting
- engineering
- customer advocacy and representing the interests of customers.

Other factors considered included skills in critical analysis, effective links to consumer representatives and any likely conflicts of interest. While it would be valuable for us to consult with the Customer Council on customer engagement strategy and content, we do not support the Council having a directive role in this area or being solely constituted of customer engagement 'experts'.

We do not feel that members need to be customer engagement 'experts' to provide advice on customer engagement strategy or content. Technical expertise in using scientific and statistically based customer research and engagement methods can be gained from the use of an expert service provider to conduct the engagement activities. This is also a capability being built internally within Sydney Water.

⁵² Our current practice is to reimburse Council members for meeting attendance. Council members receives \$114 per meeting, which typically run for three hours. This is consistent with other water utility practice where members are either unpaid or receive a small amount of money for attending meetings. Customer engagement 'experts', such as consultants or academics, may expect a higher level of remuneration.

⁵³ *Sydney Water Act 1994*, section 15

11.3 Role of the Council

Question 29 – Do you agree with our preliminary view on the composition and role of the Customer Council? *Our preliminary view is that we should amend existing obligations on the role of the Customer Council to include both:*

- *obtaining advice on and representing the interests of Sydney Water’s customers on key issues related to Sydney Water’s planning and operations (similar to existing clause 5.5.2), and*
- *providing advice to Sydney Water on its customer engagement strategies and the use of those strategies in making level of service and business planning decisions.*

While not required by the Act, we are happy for the licence to include an obligation on the role of the Council. The Council has played a useful role to date in advising on a broad range of projects, including branding, communications and operational activities. We support the Council continuing to have a broad advisory remit, beyond just customer engagement. Specifically, we are happy to retain an obligation for Sydney Water to use the Council to advise on and represent the interests of Sydney Water’s customers on key issues related to Sydney Water’s planning and operations (similar to existing clause 5.5.2). As noted, we are also happy for the Council to provide an advisory role in terms of customer engagement, but not have a directive role. The outputs of customer engagement should be used as an input to Sydney Water’s decision making, just like any other source of information. We may sometimes need to balance customer preferences with other considerations, such as the ability to finance our business, other regulatory requirements, system limitations and long-term impacts on service provision.

In other jurisdictions, such as Victoria, the regulator has allowed the utility flexibility to determine the most appropriate ways to engage with their customers. We support IPART adopting a light-handed approach in this area, if regulatory measures are needed. For example, while there may be value in the Customer Council providing input on customer engagement methods, particularly in relation to strategies for reaching different community groups, flexibility is needed to design engagement methods depending on the context.

Going forward, we may want to create new structures for engaging customer representatives and consider new means for customer input. We note, for instance, the recent innovations towards customer negotiated regulatory processes for SA Water, announced by the South Australian economic regulator as recently as June this year.⁵⁴ Victoria has also recently moved towards a much more customer-focused regulatory model; however, the form and methods of engagement are left to the discretion of the utility.⁵⁵

We note that IPART’s preliminary view seems to indicate that the elements of clause 5.5.2 relating to providing advice on the interests of customers and consumers and on the Customer Contract would be removed. We do not have strong concerns with this, as it is in line with removing unnecessary prescription from licence conditions. Historically, Council members representing consumer advocacy groups have been most interested in these types of issues, and most engaged in providing advice or feedback. It may be more efficient for Sydney Water to engage with such groups individually, rather than via the Customer Council.

⁵⁴ The Essential Services Commission of South Australia (ESCOSA) has recently released a framework for SA Water’s 2020 pricing determination designed to “put customers’ interests and the consumer voice at the centre of the regulatory process”. This document reinforces that SA Water should own the customer relationship and engagement process, to deliver a regulatory business plan that meets customers’ expectations. The framework introduces direct customer challenge and negotiation into the preparation of SA Water’s draft business plan. ESCOSA 2018, *SA Water Regulatory Determination 2020 Framework and Approach*, ESCOSA, Adelaide.

⁵⁵ The Essential Services Commission (ESC) in Victoria also developed their ‘PREMO’ framework to put customers at the centre of a water business’s decision making. The framework does not stipulate a process or method for customer engagement, but requires water businesses “to identify their customers’ concerns, interests and priorities so that their submissions can be expressed in terms of the outcomes valued by their customers”. Essential Services Commission 2016, *Water Pricing Framework and Approach: Implementing PREMO from 2018*, Essential Services Commission, Melbourne.

11.4 Outcomes-based obligations

Question 30 – Do you agree with our preliminary view to remove prescriptive obligations and replace them with outcome-based obligations? *Our preliminary view is that the licence obligations for the Customer Council should enable Sydney Water to effectively engage with its customers in ways that are relevant, representative, proportionate, objective, clearly communicated and accurate.*

In principle, Sydney Water supports outcomes-based obligations. However, it is difficult to comment on this question without seeing the proposed new licence obligations in writing.

We agree that the current Customer Council obligations are overly prescriptive and that most of the existing detail could be removed. Our preference would be to not replace existing prescriptive obligations with alternative prescriptive obligations (for example, replacing prescriptive requirements for membership categories with prescriptive requirements focusing on a single area of expertise).

We would prefer a light-handed approach to be adopted, for example:

- a generic obligation for Sydney Water to maintain a Community Advisory Council, with members to be determined by Sydney Water, and
- a requirement to seek advice from the council on key issues related to Sydney Water's planning and operations, including customer engagement strategies, as well as any other issues as determined by Sydney Water.

We would also be happy to continue making copies of minutes of Customer Council meetings publicly available. This was suggested in the deliberative forums as a way of making Council activities accessible and transparent. However, we note that there is usually very little public interest in these documents, with very few members of the public accessing copies of the minutes.⁵⁶

As noted above, we would prefer when Sydney Water undertakes customer engagement, and particularly the methods we use to do this, to remain a business decision. However, if pursued as a new licence condition, we suggest addressing this as a separate obligation, in addition to maintaining a Community Advisory Council. We also suggest requiring a customer engagement framework, rather than prescribing when and how Sydney Water should engage with its customers. For example:

- a requirement to develop a customer engagement framework outlining how we will conduct direct engagement activities to shape strategic planning, levels of service and pricing decisions
- if desired, a requirement to provide a report to IPART on the activities undertaken and how they were used to inform decisions.

While potentially duplicative, as we would also include such information in price proposals and other regulatory submissions, a reporting requirement could address any transparency or accountability concerns over implementation of the framework.

We are interested to hear stakeholder views on this area and are happy to discuss this further with IPART throughout the review.

⁵⁶ In 2017-18, there were 84 page hits on the Customer forums page on the Sydney Water website: <<http://www.sydneywater.com.au/SW/about-us/our-people/who-we-are/customer-forums/index.htm>>. Copies of meeting minutes are usually only accessed a handful of times by members of the public (for example, the June 2017 meeting minutes have been downloaded twice, and the September 2017 meeting minutes have been downloaded five times). Minutes are made available on the website for the last four quarterly meetings.

12 Stakeholder relations – memoranda of understanding

12.1 Memoranda of understanding with regulatory agencies

Question 31 – Do you agree with our preliminary view to:

- ***Maintain the obligation for Sydney Water to maintain cooperative relationships with NSW Health, the Environment Protection Authority (EPA) and the Water Administration Ministerial Corporation (WAMC)?***

Sydney Water supports maintaining licence obligations for Sydney Water to maintain cooperative relationships with NSW Health, the EPA and the WAMC. We note that the WAMC is now represented by the Department of Industry.

Our memoranda of understanding (MoUs) with these agencies have assisted to facilitate ongoing, constructive relationships. Retaining a licence obligation to require an MoU with these agencies highlights the importance of maintaining relationships with our key regulatory agencies, and meets the requirements of the Sydney Water Act. The nature of these requirements should remain as ‘best endeavours’ obligations, to be consistent with the principle that Sydney Water should only be regulated on matters within our power to control.

We note that the obligations regarding the MoU with NSW Health includes additional details about reporting to NSW Health on events that pose a risk to public health. This highlights that, if an incident occurs that poses a risk to public health, we are to manage this in close consultation with NSW Health. We are happy to maintain this requirement.

12.2 Memorandum of understanding with Fire and Rescue NSW

Question 31 – Do you agree with our preliminary view to:

- ***Maintain and update the obligation for Sydney Water to maintain a cooperative relationship with Fire and Rescue NSW (FRNSW)?***

We support continuing a licence obligation to maintain a cooperative relationship with Fire & Rescue NSW (FRNSW). The MoU obligation in the current licence has improved the relationship between Sydney Water and FRNSW and helped address a number of issues. Based on the positive progress to date, the detailed requirements in the licence on developing the MoU and prescribing matters the working group must consider can be removed. This will allow the ongoing and future work program to be agreed between the parties, informed by the outcomes of current projects.

The MoU was established in 2015, and has been working effectively. Through the Working Group established under the MoU, we developed a joint work program with FRNSW to address a range of technical and business process issues. Work has been progressing well, including:

- establishing new requirements for information sharing
- scoping and progressing a report to FRNSW detailing network performance regarding water available for firefighting (in progress)
- agreeing on arrangements for Sydney Water to consult with FRNSW in the design of new assets and planning of system maintenance

- investigating a range of other matters, including:
 - the use of fire sprinklers in Class 1 residential properties (one and two storey housing) and benefits for firefighting practices and water network design (pilot project in hand)
 - providing enhanced access to water via more hydrants and larger capacity hydrants (in progress)
 - modifying backflow prevention requirements to enhance fire-fighting capability (low head-loss backflow preventer currently being trialled)
 - individual case studies of issues faced by FRNSW relating to water supply (as required).

Indicative network performance maps have recently been provided to FRNSW. We are now jointly reviewing them, and this will set the direction for further action and timing. Early results indicate that there are very few locations across our network where the design standards requested by FRNSW in the last licence review are not already available. It also appears a much smaller number of existing developments are affected than initially thought. Through this project, a practice has developed between Sydney Water and FRNSW to investigate instances where compliance to fire protection standards through onsite installations is cost prohibitive. Sydney Water now checks that assessments for improved fire protection measures apply optimal water network performance to limit the scope and cost of any required improvements.

Once we have completed the network investigation project we will better understand the extent and nature of the issue, so that we can consider solutions with key stakeholders, including FRNSW and councils. There may be more efficient ways to address these localised issues other than upgrading the water main in the affected street or location. For example, making operational changes that can be achieved at minor cost, but will only be apparent after investigation.

The MoU has also assisted to identify ongoing and future opportunities to work together. For example, Sydney Water partnering with FRNSW in a new 'Fire Research Institute'. This was formalised in late 2017 with a signed agreement between the two organisations.

We note that IPART has recently proposed a pricing methodology for recovering costs for voluntarily requested network upgrades to address water for firefighting needs in its Draft Determination for *Maximum prices to connect, extend or upgrade a service for metropolitan water agencies* (as part of its review into developer, backlog sewerage, minor service extension and other similar charges).

These service upgrades have the potential to enable cost-effective provision of water flow and pressure for firefighting. We strongly support this aim and have been working collaboratively with Fire and Rescue NSW (FRNSW) and local Councils to address this issue over the last few years. However, as IPART has previously highlighted, there unfortunately remain a number of regulatory gaps regarding water flow and pressure for firefighting in NSW. This will result in some practical challenges in implementing the determination. For example, orders on properties to address firefighting requirements typically occur on an ad hoc basis, rather than for an entire area at once. To be effective, there is a need for an agreed framework to facilitate the application of IPART's new pricing approach. Sydney Water is happy to continue to be involved in discussions on this issue.⁵⁷

⁵⁷ For more information, see Sydney Water's submission to IPART's Draft Determination for *Maximum prices to connect, extend or upgrade a service for metropolitan water agencies*.

12.3 Roles and Responsibilities Protocol (metropolitan water planning)

Question 31 – Do you agree with our preliminary view to:

- ***Remove the obligation for Sydney Water to maintain a cooperative relationship with the Department of Planning and Environment (DPE)?***

We support removing the obligation for a Roles and Responsibilities Protocol with the Metropolitan Water Directorate. The existing requirement refers to the Metropolitan Water Directorate, which no longer exists. This function was transferred to the Department of Planning and Environment in 2017. During the current licence term, a draft Roles and Responsibilities Protocol was developed but not finalised, as alternative mechanisms for co-operation and liaison were established between the parties.

We also agree that there is no need for a licence obligation to maintain a cooperative relationship with the Department of Planning and Environment (DPE). There are other forums and mechanisms, that assist to maintain a cooperative relationship with DPE. For example, DPE has established the Water Coalition, a decision-making forum which includes Sydney Water, WaterNSW and the Environment Protection Authority, as part of a new metropolitan water governance structure. A senior officers group and technical working group with representatives of these agencies have also been established to provide advice and information to the Water Coalition.

However, there may be value in the licence retaining a reference to metropolitan water planning, and Sydney Water's role within it. For example, a best endeavours requirement to participate in metropolitan water planning processes. This would reflect the importance of Sydney Water's role in this function, as well as customer and community expectations. Our views on this are provided in more detail in Section 5.3.

13 Performance monitoring and reporting

13.1 Operational audits

Question 32 – Do you agree with our preliminary view to maintain the existing obligations for operational audits?

We support maintaining the existing obligations for operational audits.

We note that IPART recently completed a review of the Audit Guideline – Public Water Utilities and issued a revised Audit guideline in June 2018. Sydney Water supports the risk based approach to operational audits described in IPART's Audit Guideline, particularly, the acceptance of third party certification audit reports for certified management systems, in lieu of audits by the operational auditor. This approach reduces audit burden while maintaining public confidence in Sydney Water's management systems

13.2 Reporting

Question 33 – Do you agree with our preliminary view to maintain the existing obligations on reporting but consolidate these obligations in the amended licence?

Sydney Water supports retaining the existing obligations on reporting and consolidating these obligations in the amended licence.

We note that IPART demonstrated its commitment to this approach in its recent review of water utility performance indicators, resulting in a significant reduction of indicators to be reported in Sydney Water's revised Reporting Manual released in June 2018.

13.3 Environmental indicators

Question 34 – Do you agree with our preliminary view to maintain the existing environmental indicator obligations and remove duplication with the existing reporting obligation?

Sydney Water supports retaining existing environmental indicator obligations and removing duplication with the existing reporting obligation.

Question 35 – Do you have a view on what would be the most useful environmental indicators for Sydney Water to report on?

Sydney Water recently reviewed its environmental indicators as part of IPART's water utilities' performance indicators review in early 2018, with input from external stakeholders. We support the use of the environmental indicators listed in current (July 2018) Reporting Manual, as these broadly cover the range of our business activities that impact the environment.

Appendix 1 Customer engagement program

Overview

Many of the big decisions impacting the prices and service levels experienced by our customers are made in the context of our Operating Licence and price reviews undertaken by IPART. Sydney Water wants to involve customers in developing the business plans and proposals that it submits to these reviews and in developing other business strategies.

We are undertaking a three-phase engagement program throughout 2018.

Phase 1 involved a series of forums, discussion groups, interviews and surveys conducted during February and March 2018 with samples of customers that are representative of the population in Sydney Water's operating area (Sydney, Blue Mountains and the Illawarra) and proportionate to the materiality of the topics. These activities focused on gathering evidence of customer attitudes and preferences regarding:

- perceptions of Sydney Water
- customers' priority outcomes for water and wastewater utility
- service performance, including areas of highest inconvenience for customers and preferences regarding responding to breaks and leaks and receiving information about water supply interruptions
- rebates in our Customer Contract
- fees and discounts for different bill delivery and payment channels
- customer representation, including the Customer Council.

Outcomes from Phase 1 were used to inform our proposals in this submission, particularly for areas of high customer impact, that is, system performance standards, rebates and the Customer Council (including seeking customers' preferences on various methods of obtaining customer feedback).

Findings from Phase 1 are also noted throughout this submission on other areas of high customer interest or priority, such as water quality, water conservation, and response times for water main breaks. We have tried to consider customer views when shaping our positions for these licence areas, for example, considering if there is a need to maintain obligations. This information could also assist IPART to understand areas of the licence that have a high level of customer or community interest.

We are continuing engagement on system performance standards and rebates in Phase 2, to ascertain willingness to pay for potential changes to levels of service for performance standards and test our recommended rebates with customers. Phase 2 also introduces a range of new topics related to price structure and expenditure. In Phase 3, we will test our findings with customers in the context of how this may affect their overall bill.

Outcomes from Phase 2 will be available in October 2018, and outcomes from Phase 3 in early 2019. Where possible, we will share early or preliminary insights with IPART to assist in this review. Ideally, we acknowledge that engagement to inform this licence review would have begun earlier. Going forward, we intend to incorporate customer engagement as a business as usual process.

Final outcomes from the engagement program will be used to inform our 2019 pricing proposal.

How we engaged with customers

In total, we engaged with more than 2000 customers – 2011 citizens and 266 small and medium businesses.

The engagement employed a range of activities to ensure an inclusive and accessible approach and applied the most effective techniques to each topic and questioning area. The activities were:

- two pilot deliberative forums with Sydney Water staff to test materials
- six deliberative forums with between 70-91 citizens participating in each forum (472 citizens in total), held in:
 - Penrith
 - Chatswood
 - Wollongong
 - Parramatta
 - Bankstown, and
 - CBD
- six group discussions with 7-8 people in each group (46 customers in total):
 - one Mandarin in-language group
 - one Arabic in-language group
 - two financially-vulnerable customer groups, and
 - two small-medium enterprises groups.
- an online survey, completed by:
 - 1508 citizens, and
 - 251 small-medium enterprises.

Participants for deliberative forums and discussion groups were sampled from across Sydney Water's area of operations to represent a range of genders, ages, languages, tenure types (property owners and renters), household types, family types, dwelling types, and employment status. Participating businesses represented a range of sizes and industries. In Phase 1, younger citizens and citizens speaking a language other than English at home (LOTE) were slightly under-represented in the survey sample and the survey results were reweighted accordingly. Similarly, the proportion of LOTE representation in the forums was slightly lower than that in the underlying populations. The inclusion of in-language groups was used to ensure further LOTE representation and this variable was also weighted during analysis of data from keypad polling at the forums.

About 70% of forum and survey participants were property owner-occupiers, who receive bills directly from Sydney Water. The remaining 30% were tenants – more than half of whom pay a specific amount to their landlord for water and / or wastewater services. In general, the preferences of these two groups were found to be very similar, with minor differences in emphasis, but not in the overall findings.

The online surveys – one with citizens and one with SMEs – were programmed and hosted by Woolcott Research and Engagement. Survey samples were obtained through a quality-assured research panel provider: Lightspeed Research. The survey was approximately 15 minutes in length. It was live from 16 March 2018 to 29 March 2018. It was completed by 1508 citizens and 251 SMEs, after exclusion of invalid responses.

Phase 2

A similar process is being used in Phase 2 of the program.

We are holding seven forums not six, and spreading locations more evenly across our area of operations. Phase 2 forums will be held in:

- Hornsby
- Penrith
- Wollongong
- Parramatta
- CBD
- Hurstville, and
- Campbelltown.

We are also increasing the number of language other than English at home (LOTE) groups from two to six (in addition to Mandarin and Arabic, we will also have Vietnamese, Hindi, Cantonese and Greek). We will also be including significant business customers and Customer Council representatives from Phase 2.

The forums and discussion groups will again be supported by a large online survey.

Appendix 2 Area of operations

Area of Operations means:

- the local government areas specified in this Schedule 1;
- the islands in Sydney Harbour;
- the deemed areas described in this Schedule 1;
- any areas declared from time to time to be a controlled area in accordance with Section 88 of the Act; and
- as adjusted by any variation to the Area of Operations made by the Governor in accordance with section 10 of the Act.

Local government areas		
Bayside Council	The Council of the Shire of Hornsby	Ryde City Council
Blacktown City Council	The Council of the Municipality of Hunters Hill	Shellharbour City Council
Blue Mountains City Council	Inner West Council	Strathfield Municipal Council
Burwood Council	The Council of the Municipality of Kiama	Sutherland Shire Council
Camden Council	Ku-Ring-Gai Council	Council of the City of Sydney
Campbelltown City	Lane Cove Municipal Council	Waverley Council
Council City of Canada Bay Council	Liverpool City Council	Willoughby City Council
Canterbury-Bankstown Council	Mosman Municipal Council	Wingecarribee Shire Council
Cumberland Council	Northern Beaches Council	Wollondilly Shire Council
Fairfield City Council	North Sydney Council	Wollongong City Council
Georges River Council	Parramatta City Council	Woollahra Municipal Council
Hawkesbury City Council	Penrith City Council	
The Hills Shire Council	Randwick City Council	

Deemed areas

Any land under the waters of Port Jackson and adjoining the boundaries of the City of Sydney upon which there is erected any wharf, pier, jetty, building or other structure will be deemed to be within the Area of Operations of Sydney Water.

[Note: Under section 10(1) of the Act, the Area of Operations for Sydney Water is the same as the area current for the Water Board as at the date of corporatisation. The area of operations for the Water Board was identical in extent to the area of operations proclaimed under the Metropolitan Water Wastewater & Drainage Board Act 1924 (NSW)]

Appendix 3 Additional information on service standards

Willingness to pay survey – design considerations

We are undertaking a WTP survey to obtain information on the value customers put on changing the level of risk of specific service faults. In the survey, customers will nominate preferences for various service outcome / bill impact combinations.

To be useful, WTP surveys need to be well designed and their results need to be applied in the right context. Results can be impacted by many factors, including:

- how explanatory information is presented
- survey design, including length, complexity and the framing of questions and alternative service choices

customers' external context, such as prevailing economic conditions or weather.

Other considerations are noted in the break-out box below.

We have taken these factors into account when designing our survey, which has been peer reviewed by an independent expert.

WTP surveys – design challenges

1. Balance survey length and complexity with the quality of responses

Asking more and harder questions can lead to customers dropping out or rushing responses.

2. Provide accessible descriptions of water interruptions & sewer overflows

It is important to explain service impacts in everyday terms with supporting graphics and to consider respondents' differing cultural and linguistic backgrounds. It is also important to describe how we can influence the likelihood and/or impact of events, and why this can change service costs.

3. Clearly present alternative choices

Service alternatives need to be clearly distinct from the status quo *but* still appear feasible, so as not to be dismissed by respondents.

Our economic approach

Our analysis will seek to find the service scenario with the lowest 'net social cost' by comparing alternative service / cost scenarios with a base case, which is based upon on recently observed average annual performance and relevant costs.

We are using a scenario-based approach because the services described by these standards are delivered at each of almost two million connected properties. This means it is not practical nor realistic to create continuous cost / service level functions for water continuity and wastewater overflows.

We will compare higher and lower service scenarios to a base case which will reflect the existing standards and threshold levels where each service scenario includes:

- estimated cost increases (or decreases) for the various activities which would be undertaken to provide higher (or lower) service levels⁵⁸
- a forecast of system performance if these changes in activity take place, assuming that planning aims for a compliant licence performance in an average year⁵⁹
- annual costs of providing the different service levels, based on realistic capex and opex forecasts.

We plan to include three scenarios. If the results suggest a need to focus on a particular scenario (or in the gap between two scenarios) more analysis may be possible, if time permits.⁶⁰

For avoidance of doubt, the costs and service levels in these scenarios are not the options presented to customers in the WTP surveys. These are only used in the cost-benefit analysis.

To find net social costs, we have further developed the cost equation shown in IPART's Issues Paper is shown in the break-out box below.

Economic approach

IPART's generic equation:

Total social cost (TSC) = Sum of **social costs** plus **system costs**, *calculated from:*

$$TSC_{\text{scenario}} (\$) = (VC * hh_{\text{scenario}}) + C_{\text{scenario}}$$

To find the net social cost (NSC) for each service scenario relative to the base case (B), the equation has been adapted as follows:

Net social cost (NSC_{H or L}) for higher (H) and lower (L) service scenario c.f. base case =
Difference in social costs plus the difference in system costs

This is calculated using:

$$NSC_H = TSC_H - TSC_B = VC * (hh_H - hh_B) + (C_H - C_B)$$

$$NSC_L = TSC_L - TSC_B = VC * (hh_L - hh_B) + (C_L - C_B)$$

Where:

- **VC** = customer value for avoiding the risk of the particular event (from WTP results)
- **hh_{scenario} (H, L or B)** = annual performance level for the SPS in the higher (H), lower (L) and base cases
- **C_{scenario} (H, L or B)** = annual service costs associated with higher (H), lower (L) and base case (B) performance levels.

⁵⁸ Consistent with the Issues Paper, these have been denoted as 'system costs' in the economic approach description.

⁵⁹ This means that in some years weather might still lead to poorer performance. If the targets are still expressed in terms of 'number of properties' in a year, then planning for an average year could lead to a performance outcome which is slightly under the target.

⁶⁰ For example, if analysis of the wastewater overflow standard shows that there is little difference between the social cost of the base case and the high performance scenario, we may be able to analyse another option somewhere in between these two service levels.

Information on the variables are shown in Table 12.

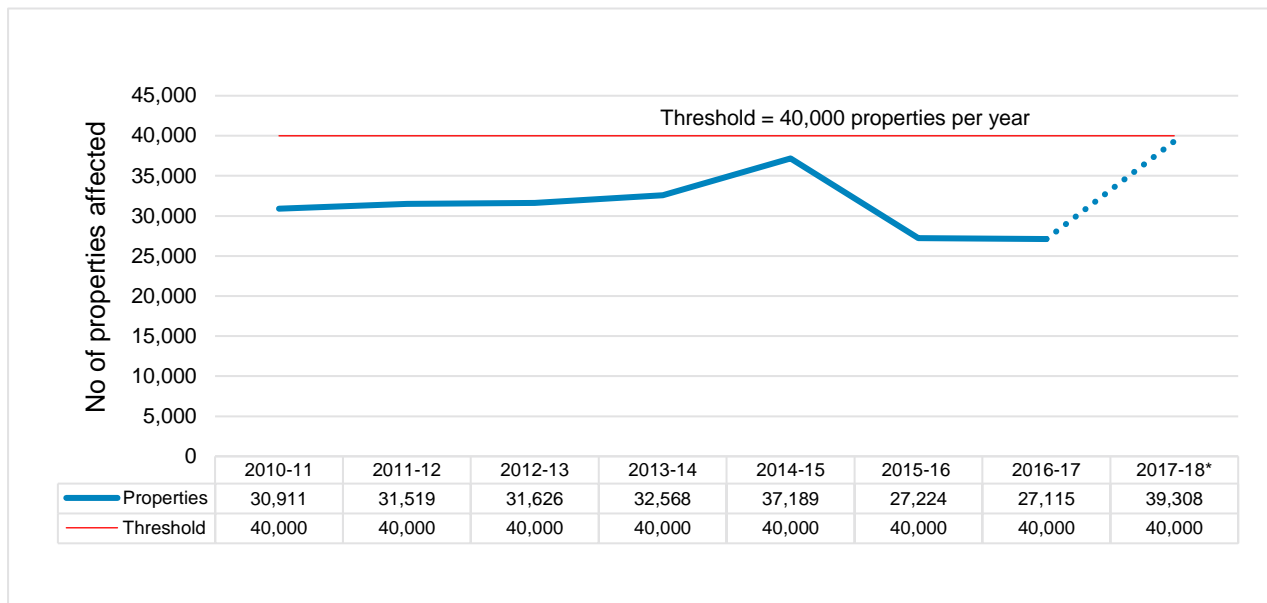
Table 12 Information on equation variables

Variable in equation	Explanation	Source / comments
VC	For example, value of avoiding 5hr unplanned interruption (\$ to avoid risk of event)	Will come from WTP surveys
H	Notation for High performance scenario	To align with IPART Issues Paper
L	Notation for Low performance scenario	To align with IPART Issues Paper
B	Notation for Base case scenario	To show the calculation of net values compared to high and low cases
C_H and C_L	Annual service costs for High and Low performance (\$)	From scenario modelling
hh_H and hh_C	Annual no of properties experiencing 5hr+ interruptions (in H and L scenarios)	From scenario modelling
$(VC*hh_H)$ and $(VC* hh_L)$	Annual social cost of unplanned 5hr+ interruptions per scenario	Calculated within cost-benefit analysis
TSC_H and TSC_L	Total social cost (TSC) = Sum of system costs plus social costs in each scenario	Calculated within cost-benefit analysis

Water Continuity – performance and asset management

Performance on SPS 2 is shown in Figure 18 below.

Figure 18 Water continuity performance – ‘five hour’ standard (SPS 2)



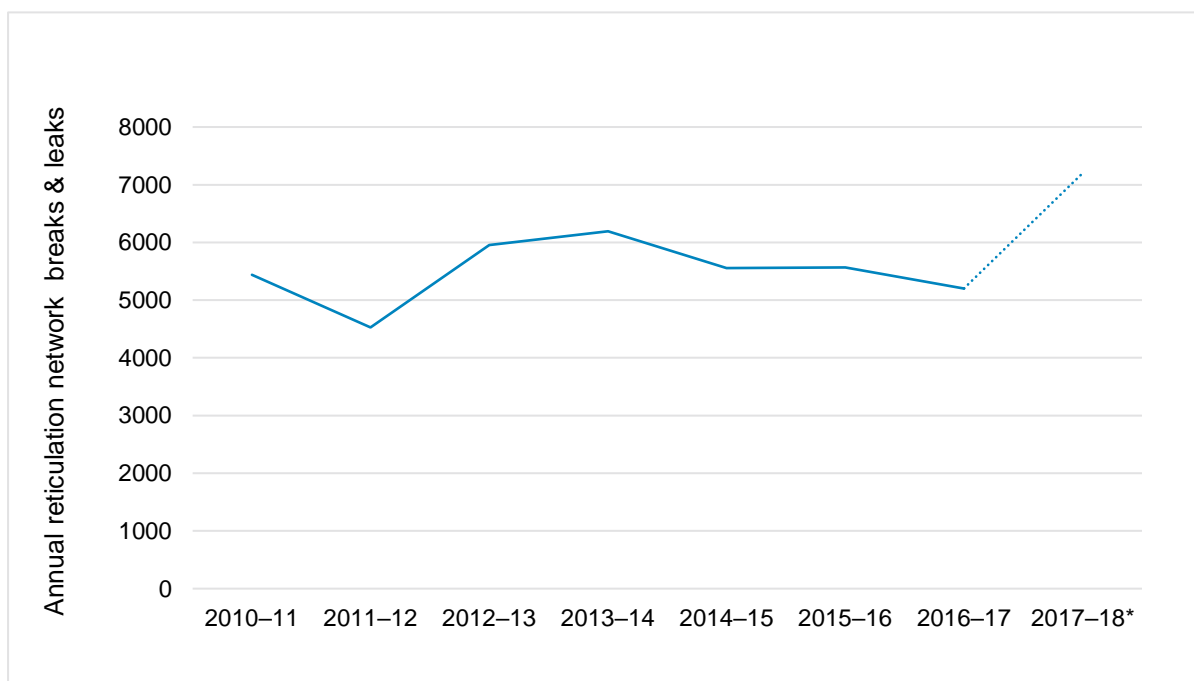
***Note:** This is projected performance for 2017-18. Final value will be provided to IPART as part of our 1 September annual compliance reports.

Since 2010, an average of 32,182 properties per year have experienced unplanned water interruptions for more than five hours. This means that over the same period 98.3 percent of properties have not experienced such an interruption.

While average performance has remained below the threshold, annual performance was much closer to the limit in 2014-15 and 2017-18.

The ‘number of leaks and breaks’ is one indicator of what might be driving water supply interruptions in a particular year. Figure 19 shows the total number of leaks and breaks in the reticulation network over the period 2010-11 to 2017-18.

Figure 19 Total number of leaks and breaks from 2010-11 to 2017-18



*** Note:** This is projected performance for 2017-18.

This suggests that 2017-18 performance on SPS 2 is driven by a higher number of pipe leaks and breaks. This is thought to be at least partly the result of ground movement caused by recent sustained dry weather.

Asset management

Table 13 provides further detail on the reticulation and critical water main assets and the various considerations which influence the asset management strategy for these.

Table 13 Reticulation water main assets and relevant obligations

Item	Details
Assets	<p>Reticulation water mains</p> <ul style="list-style-type: none"> • Approximately 18,000km long (82% of the total) • Small pipes, with diameters less than 300mm down to 100mm • Consequence of failure generally low and localised <p>Critical water mains</p> <ul style="list-style-type: none"> • Approximately 4,000km long (18%) • Diameters greater than 300mm • Cost and consequence of failure is much higher
Objectives and obligations considered	<ul style="list-style-type: none"> • Operating Licence SPS 2 and SPS 3 • Economic level of water conservation • Report on response time performance for attending leaks and breaks of different priority levels • Efficiency – provide services at an efficient asset lifecycle cost • Customer driven performance requirements (e.g. to limit ...) • General safety and environmental legislation • Organisational risk appetite in relation to the above.

While meeting the SPS requirements is an important objective, it is considered in the context of other objectives.

Reticulation water mains

The reticulation watermain asset management strategy seeks to minimise lifecycle cost while meeting relevant service obligations. A 'failure' of a reticulation water main is when its failure history means that it is no longer performing as required. As these are widely distributed small underground pipes, the cost of predicting and preventing faults far outweighs the consequence of a service failure. Also, the first faults on pipes are generally not predictable in location or time, and may not signal an imminent failure of the rest of the main.

The strategy seeks to minimise lifecycle cost as the pipe (or a section of it) is replaced at the point when the net present value (NPV) of the maintenance cost is greater than the NPV of the renewal cost. The process seeks to achieve this by monitoring performance via the frequency of breaks and leaks, to identify when detailed review of the asset is triggered.

These triggers lead to the NPV analysis which ascertains whether it is efficient to replace the asset. There are various trigger points as assets may have different failure patterns. These include, for example:

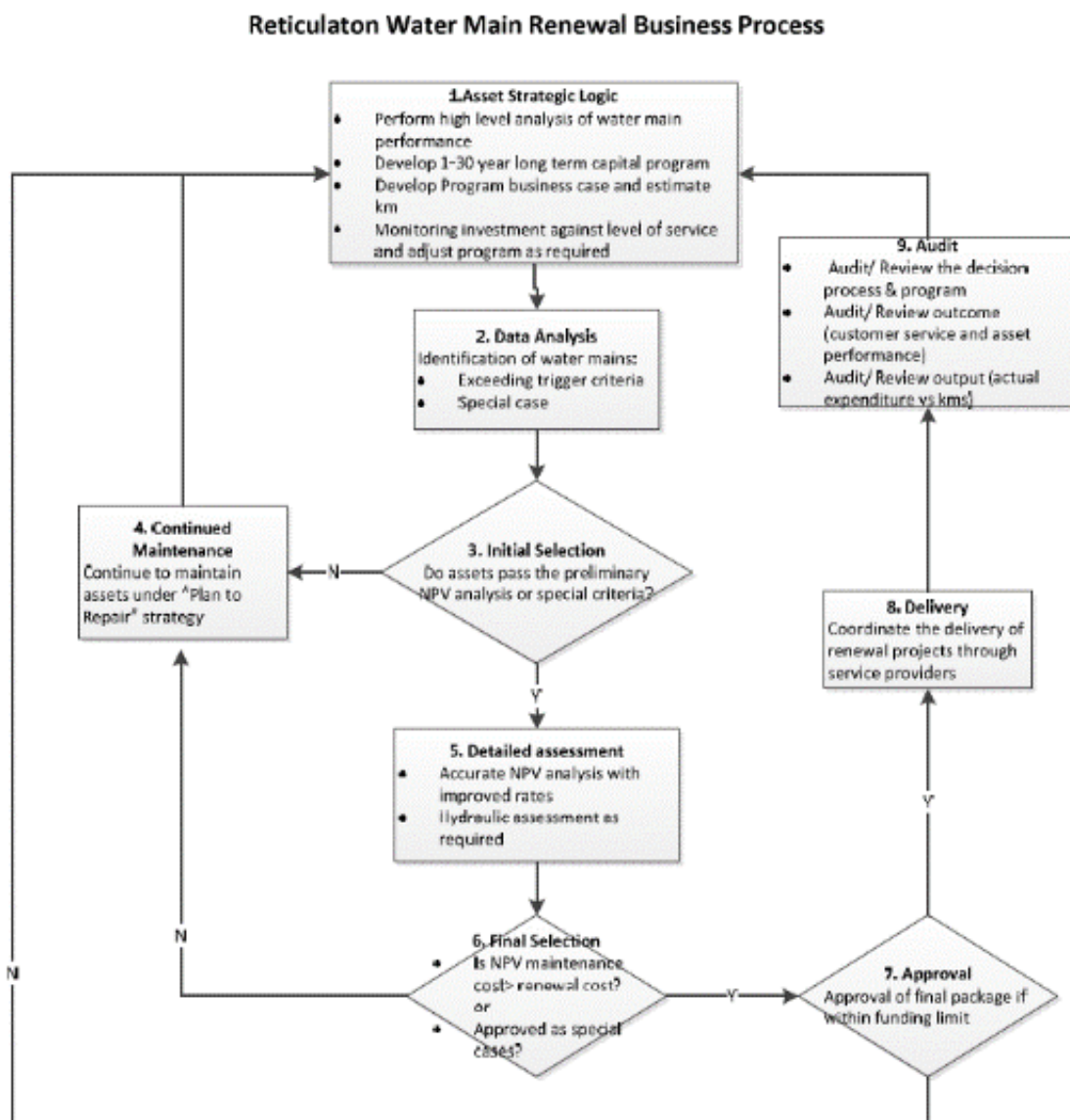
- three or more breaks or leaks in two years for water main length longer than 100 metres

- for larger reticulation mains (for example, 250mm diameter) the trigger of two breaks/leaks in two years is used, as the cost of repair for these is higher.

The triggers are not triggers of replacement – they trigger an NPV analysis which may then identify that replacement is efficient. This performance review is a fortnightly process.

The process is described further in Figure 20.

Figure 20 Reticulation water main renewal assessment⁶¹



Critical water mains

Although much larger than reticulation pipes, critical water mains contribute much less to the performance on the standards. However, the other consequences of failure are high financial costs to re-build and potentially significant community and economic impacts. A 'failure' of a critical water main is a structural failure which can lead to collapse. The asset management strategy seeks to efficiently mitigate the failure of critical water mains by monitoring risk and renewing the asset just in time.

⁶¹ Extract from Sydney Water Decision Framework, Reticulation Water Main Renewal (AMQ0100)

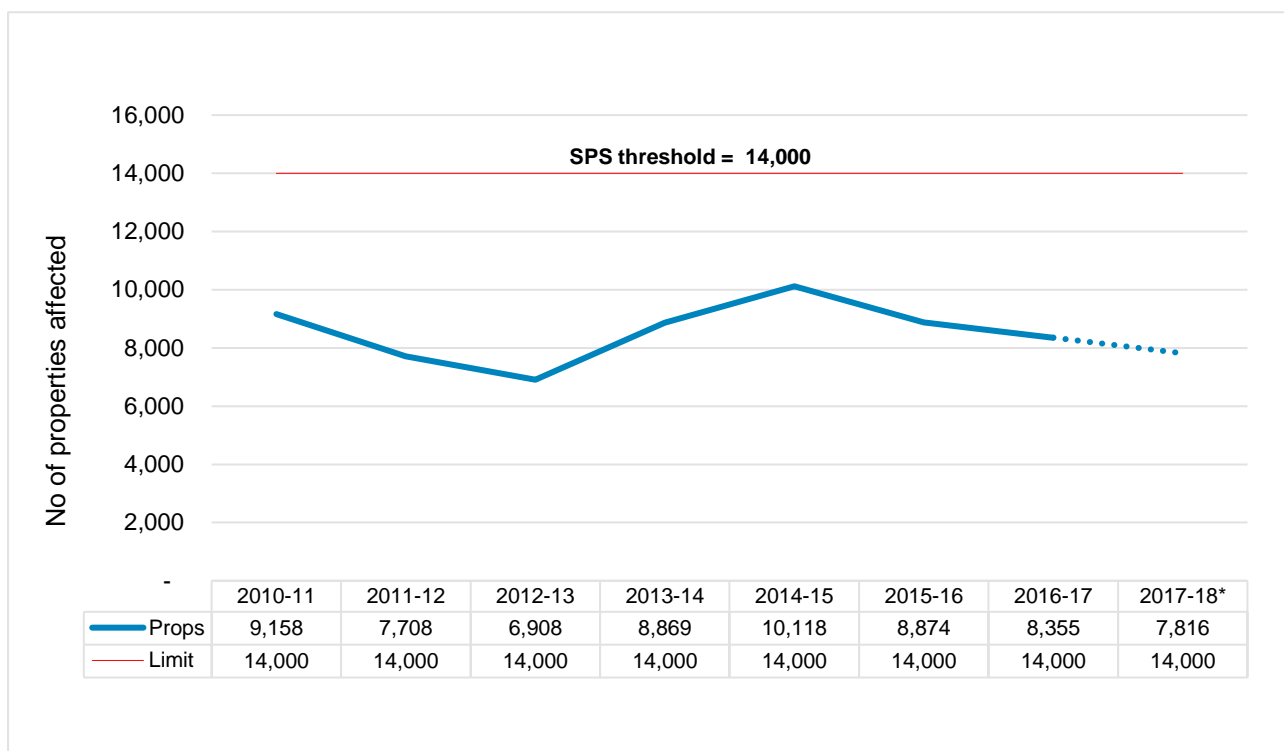
The process steps to achieve this are:

- Assess and quantify the risk of failure of each asset, including consideration of the social and economic consequences of asset failure, to develop a risk rating.
- Based on risk ratings, develop a program of actions consisting of detailed condition assessments, maintenance, contingency planning and (if condition assessment has shown it is necessary) asset renewal.

Wastewater Overflows – performance and asset management

Performance on the dry weather overflow standards are shown in the charts below, including projected figures for 2017-18.

Figure 21 Private properties affected by a sewage overflow (SPS 4)



*Note: This is projected performance for 2017-18. Final value will be provided to as part of the 1st September annual report to IPART.

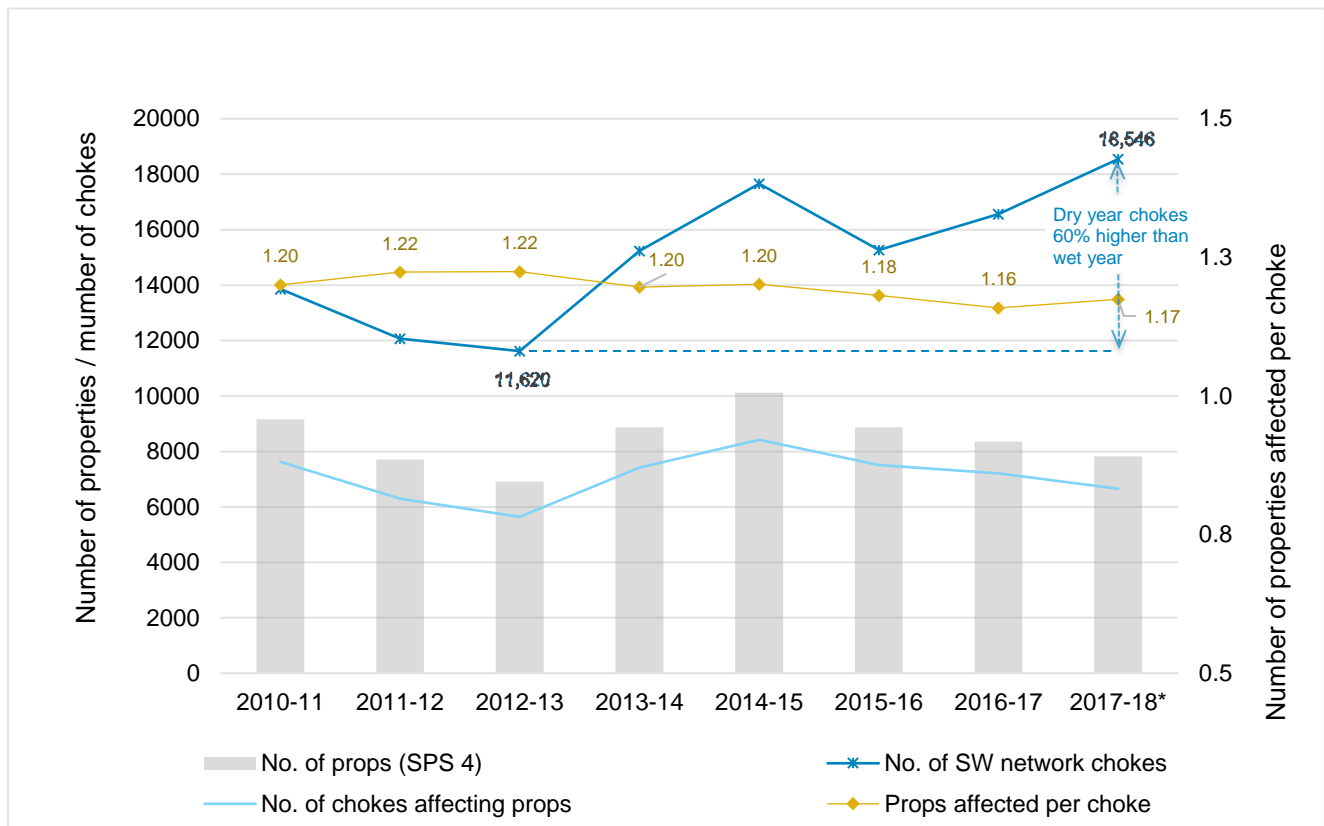
Since 2010-11, an average of 8,476 properties per year have experienced a wastewater overflow in dry weather.⁶²

Choke analysis

This SPS measures the relatively localised impact of thousands of small overflows each year. This is illustrated in Figure 22 showing the annual number of chokes, chokes affecting properties and the number of properties impacted by overflows since 2010-11.

⁶² The limit was lowered the 2010/11 financial year to reflect a change to how 'affected properties' were calculated. After that, 'multiple occupancy properties' were counted as one property for each overflow event.

Figure 22 Annual number of chokes and properties affected by overflows



*Note: This is projected performance for 2017-18. Where required, final values will be provided to IPART as part of the 1 September annual compliance reports.

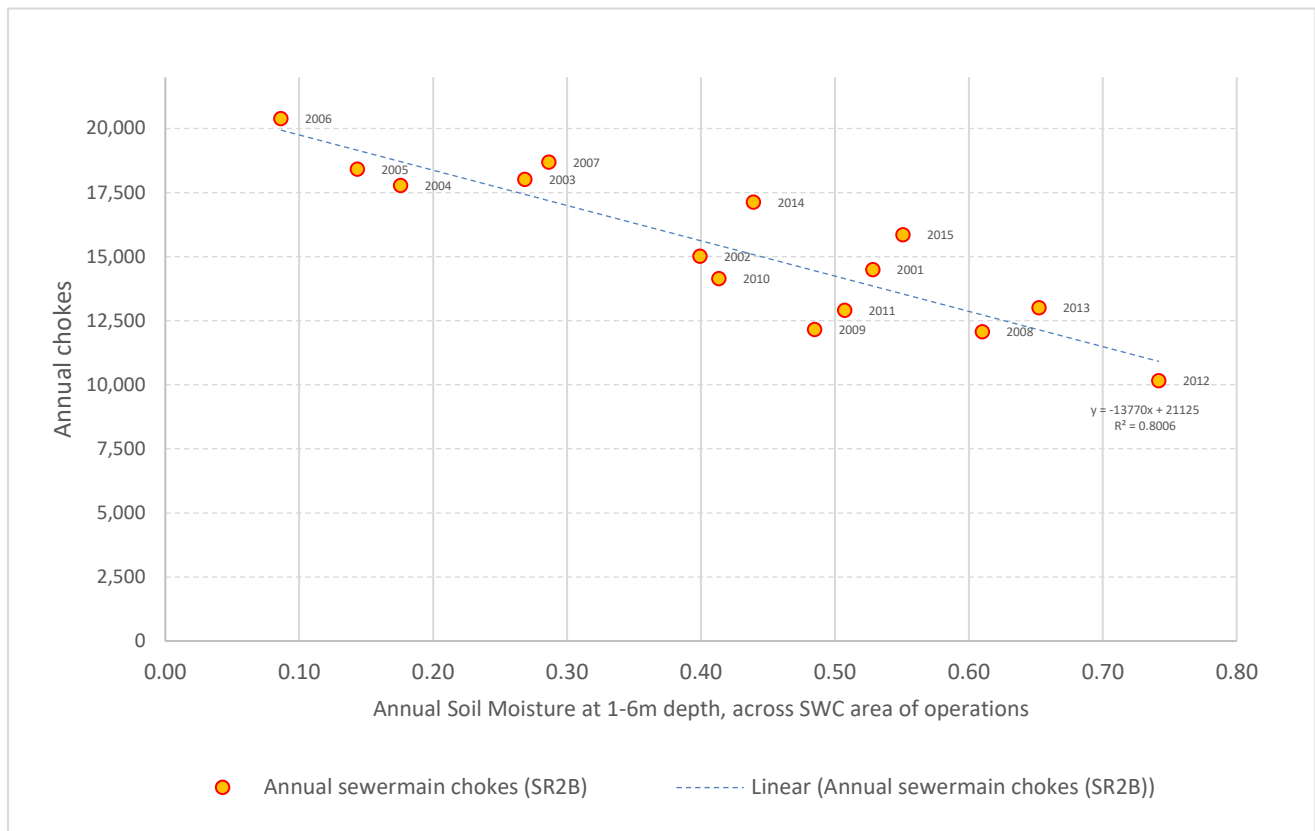
Source: Sydney Water data and analysis

Figure 22 shows that:

- The number of chokes can vary significantly year on year (due to weather impacts). 2017-18 recorded 60% more chokes than 2012-13
- Typically, just under half of chokes caused overflows onto private property
- For each choke impacting properties, about 1.2 properties were affected each time. While this has been relatively constant over recent years, it could change in the future with higher population and density. This is a factor outside our control.

Analysis of choke rates and the Bureau of Meteorology's soil dryness indices on Figure 23 illustrates that the years with the driest soil have shown the most chokes.

Figure 23 Average annual soil moisture vs annual number of chokes recorded, from 2001 to 2015



Source: Bureau of Meteorology (Australian Landscape Water Balance data) with Sydney Water data and analysis

Given that tree roots are the dominant choke driver and as there is a known relationship with weather, it seems possible that chokes could be predicted. However, past analysis has shown that the first choke in a sewer is unpredictable and about 60% of chokes are first time events.⁶³ It is possible to target a small amount of pro-active sewer surveying, taking account of sewer depth and tree canopy coverage and type. It is also known that choke rates follow a seasonal pattern, with more chokes in winter months. This pattern is most likely due to changes in tree root growth throughout a year.

The number of properties affected per chokes depends on the location of the choke and the point at which it overflows. As shown in Figure 22, this has been constant at about 1.2 properties per choke over recent years. However, this could change in the future as population and density increase (for example, when single blocks are developed into four townhouses).

Repeat chokes within a year are rare because it takes time for tree roots to grow back after being cleared by a high-pressure water jetter. For this reason, repeat chokes are often related to other causes, such as wipes, fats or building materials. These causes can sometimes be identified and addressed at source. If not, there are over-arching customer education campaigns to discourage putting these other materials in the wastewater system.

⁶³ A project undertaken by CSIRO's Data 61 data innovation group concluded that it was not possible to successfully predict the location and timing of chokes with any accuracy.

Obligations and asset management

Table 14 provides some detail on the reticulation sewer assets and the various considerations which influence the asset management strategy.

Table 14 Reticulation sewer assets and relevant obligations

Item	Details
Assets	<ul style="list-style-type: none"> • Approximately 24,000km of reticulation sewers • Mostly small pipes, with diameters less than 225mm • 60% constructed from vitreous clay • 60% laid before 1975
Objectives and obligations considered	<ul style="list-style-type: none"> • Operating Licence SPS 4 and SPS 5 • Specific environmental obligations, including <ul style="list-style-type: none"> ○ EPL O4.8a - 5-year rolling average of number of chokes per year per 100km to be less than 81 ○ EPL 7.4 – Limits number of dry weather overflows to waterways ○ EPL L7.2 – limits frequency of wet weather overflows from the reticulation system ○ EPL O4.8b – Limits the 5-Year rolling average of the number of odour complaints from the reticulation system • Efficiency – provide services at an efficient asset lifecycle cost • Customer-driven requirements (e.g. limit internal overflows) • General safety and environmental legislation • Heritage requirements - some assets have recognised heritage value due to age, technological and / or architectural significance • Organisational risk appetite in relation to the above.

The asset management strategy for the reticulation sewers is based on a ‘plan to repair’ philosophy. This is because each overflow event has a relatively low consequence and because the repair and clean-up costs are generally much less than the cost of pro-actively finding potential overflows and taking required action. This is partly because of the random nature of service failures. It is not normally efficient to pro-actively identify assets for replacement or remediation.

The asset management strategy therefore includes:

- responding to overflows / chokes as they are identified, depending on their priority
- clearing chokes and cleaning up in the first instance
- monitoring the choke frequency. After three chokes in five years (or less) investigate with CCTV, clear blockage and reline the sewer if necessary
- proactive inspection and remediation of a small proportion of the network, with a targeted program based on risk analysis.⁶⁴

⁶⁴ Taking account of tree coverage and type and known asset condition.

Appendix 4 Customer Contract

An updated Customer Contract is provided on the next page. Changes to our current Customer Contract, both additions and deletions, are noted as tracked changes.

Section 10.4 includes a summary table of our proposed amendments and why Sydney Water has proposed the change or addition.

Operating Licence 2019-2023

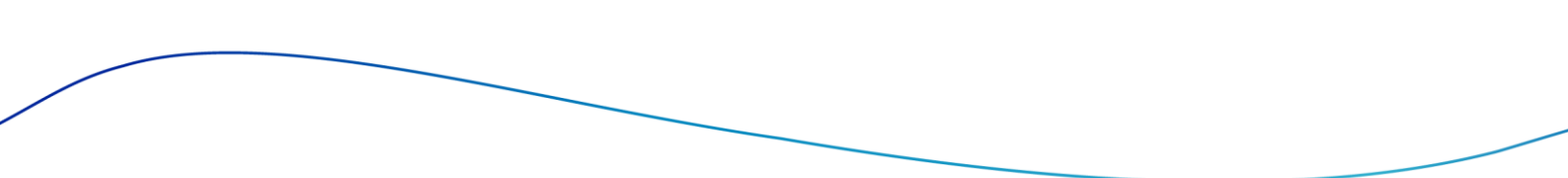
Proposed Customer Contract with tracked changes

August 2018

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Foreword

Sydney Water provides **water supply services**, **wastewater services** and some **stormwater services** to people in Sydney, the Illawarra and the Blue Mountains.

Sydney Water's key objectives are protecting public health, protecting the environment and operating as a successful business.

This **Customer Contract** outlines your rights and obligations as a **customer** and sets out the minimum standards of customer service that you can expect. It is our service guarantee to our **customers**. It also outlines Sydney Water's rights and obligations to help us meet our key objectives.

For more information about Sydney Water and the services we provide, visit sydneywater.com.au or call us on 13 20 92.

1 Introduction

1.1 Words used in this contract

Words that are bold and italicised in this contract have a special meaning. The meanings are set out in the definitions in clause 15.1 at the end of this contract.

1.2 Understanding the contract

There are a number of provisions in clause 15.2 at the end of this contract that may assist you in interpreting the contract.

Other than clause 7.7, which sets out how our liability is limited to the extent permitted by law, nothing in this contract is intended to remove or limit any statutory rights you may have under legislation that cannot be excluded, including the consumer guarantees regime under the **Australian Consumer Law**.

2 What is a **Customer Contract** and who is covered by it?

2.1 What is a **Customer Contract**?

This contract is between us, Sydney Water and you, the **customer**. You do not need to sign this **Customer Contract** for it to be valid and binding.

This contract provides the terms under which we provide, where available, **water supply services**, **wastewater services**, and **stormwater services** to you. This contract also sets out rights and obligations including your rights in any dispute with us.

This contract is a legally enforceable document and is a requirement of the **Act**.

This contract is summarised in a separate brochure called 'Our contract with you'. Copies of this brochure are available on our website or by contacting us.

2.2 Who is covered by this contract?

You are our **customer** and are covered by relevant clauses of this contract if:

- you are the owner of **property** within our **area of operations** that is connected to a water main or **wastewater system** owned by us and that connection has been authorised or approved by us, and/or
- you receive **water supply services** and/or **wastewater services** from us.

If you have a contract for water supply services and/or wastewater services from a supplier licensed under the **WIC Act**, this contract only applies to you for the services you receive from us.

You are also our **customer** and covered by relevant clauses of this contract if:

- you are the owner of **property** that is within a **declared stormwater drainage area**, or
- you are the owner of **property** that is within the **Rouse Hill stormwater catchment area**, or
- you are liable to pay us charges for the services we provide.

You may be entitled to an exemption from **service charges** based on the use of your land.

2.3 Other agreements with us

2.3.1 Additional services

If you have a separate agreement with us (for example, in relation to **trade waste, pressure wastewater systems sewerage equipment, sewer mining**, stormwater harvesting, or recycled water, an additional services agreement or utility services agreements), the terms of that agreement will take precedence over the terms of this contract, to the extent of any inconsistency between them.

2.3.2 Different level of service

We may also enter into a separate agreement with you to provide that different levels of service to you where possible. Before entering into a separate agreement with you, On request, we will provide you with an estimate of the costs of supplying you with the different level of service requested and advise you if the different level of service that we have agreed to provide is below the standards set out in this contract for the requested service. The terms of that agreement will take precedence over the terms of this contract, to the extent of any inconsistency between them.

2.4 When does this Customer Contract commence?

This contract commences:

- on 1 July 2015 2019 for any person who, on that date, is taken to have entered into this contract under section 55 of the Act or clause 2.2 of this contract, and
- for any person who, after 1 July 2015 2019, is taken to have entered into this contract under section 55 of the Act or clause 2.2 of this contract, the date that the person is

taken to have entered into this contract under section 55 of the Act or clause 2.2 of this contract (as relevant).

On 1 July ~~2015~~ 2019, this version of the contract replaces any previous ~~customer Customer contract Contract~~ between you and us. Any rights and liabilities that have accrued under any previous contract with us are not affected by the commencement of this contract.

3 What services does Sydney Water provide?

3.1 Water supply services

3.1.1 Supply of water

We will supply you with water to meet your reasonable needs except:

- in the case of **unplanned interruptions** or **planned interruptions**, under clauses 3.4.2 and 3.4.3
- in the case of restrictions under clause 3.4.4
- where we are entitled to restrict or discontinue supply under clause 6, or
- in the case of events beyond our reasonable control.

To receive recycled water from us, your **property** must be within a Sydney Water **recycled water area** or you must enter into a separate agreement with us.

If we supply you with recycled water, we will give you information on the standard requirements for its safe use at the time we commence supplying recycled water to you. We are not responsible for your use of recycled water contrary to the information we provide.

3.1.2 Drinking water quality

The **drinking water** system and the **drinking water** we supply a **customer** will comply with the health related guidelines provided in the **Australian Drinking Water Guidelines** except to the extent otherwise specified by **NSW Health**, as required by the **Operating Licence**.

3.1.3 Recycled water quality

The **recycled water** system and the **recycled water** we supply a **customer** will comply with the **Australian Guidelines for Water Recycling** except to the extent otherwise specified by **NSW Health**, as required by the **Operating Licence**.

3.1.4 Drinking water pressure

We will ensure that the **drinking water** we supply to your **property** is at a minimum of 15 metres head of pressure at the point of connection to Sydney Water's **water system**. This is recognised as suitable for **residential customers** and **non-residential customers**.

3.1.5 Health or special needs

Your health provider is to notify us if you require a water supply to operate a life support machine or for other special health needs. In certain circumstances, you may be eligible for an allowance of water use that is not subject to charges.

3.2 **Wastewater services**

3.2.1 Supply of wastewater services

If your **property** is connected to our **wastewater system**, we will supply you with **wastewater services** to meet your reasonable needs for the discharge of domestic **wastewater** except:

- where we are entitled to discontinue supply under clause 6
- in the case of **unplanned interruptions** and **planned interruptions** under clauses 3.4.2 and 3.4.3, or
- in the case of events beyond our reasonable control.

3.2.2 Wastewater overflow

We will make every reasonable effort to minimise the incidence of **wastewater overflows** on your **property** due to a failure of our **wastewater system**.

In addition to any statutory rights you may have under any legislation, including the **Australian Consumer Law**, if there is a **wastewater overflow** on your property due to the failure of our **wastewater system**, we will ensure that:

- inconvenience and damage to you is minimised
- the affected area is suitably and promptly cleaned up at our cost and in a way that minimises the risk to human health and the environment, and
- any rebate or redress that may be due to you under clauses 7.2, 7.3, 7.4 and 7.5 are paid or provided.

3.2.3 Trade wastewater

You may discharge **trade wastewater** into our **wastewater system** only if you have obtained our written permission and entered into an agreement with us for this activity.

We will give you our written permission and enter into such an agreement with you only if we are able to accept, transport and process **trade wastewater** that you discharge in full compliance with applicable safety and environmental laws, the **Operating Licence** and the **Act**.

We reserve the right to refuse trade waste into our system if we determine that it poses a risk to our operations, the health and safety of our workers or our ability to service or meet the expectations of our broader customer base.

You can contact us to obtain further information on the guidelines and standards for a **trade wastewater** discharge.

3.2.4 ~~Pressure wastewater system~~ connection

~~If you are connected to a **pressure wastewater system** provided, owned and installed by us on or after 1 July 2015, you must enter into a separate additional service agreement covering the operation and **maintenance** of the **pressure wastewater system**.~~

~~If you were connected to a **pressure wastewater system** prior to 1 July 2015, refer to our 'responsibilities of connected customers' policy, as amended from time to time, for operation and **maintenance** requirements. This is available on our website or in print by request.~~

~~3.2.5~~ 3.2.4 Sewer mining and stormwater harvesting

You may extract from our **wastewater system** or **stormwater drainage system** only if you have obtained our prior written permission and entered into an agreement with us for this activity.

3.3 **Stormwater services**

We will provide you with a service to transport stormwater through our **stormwater drainage systems** under our control if your **property** is within a **declared stormwater drainage area** or within the **Rouse Hill stormwater catchment area**.

If your **property** is within a **declared stormwater drainage area** or the **Rouse Hill stormwater catchment area** we will charge you for this service in accordance with the maximum prices, or methodology for fixing the maximum prices, determined by **IPART**.

We can provide information to assist you in determining whether your land is within a **declared stormwater drainage area** or within the **Rouse Hill stormwater catchment area** and whether Sydney Water stormwater pipes or channels are located within or adjacent to your **property**.

We will notify you if an area of land is newly declared to be a **declared stormwater drainage area** and the declaration affects your **property**.

3.4 **Factors affecting service**

3.4.1 Repairs and maintenance

If we undertake any work on our assets located on or adjacent to your **property**, we will leave the affected area and immediate surrounds as near as possible to its original state which existed prior to the works being undertaken, unless we have agreed to a different arrangement with you.

3.4.2 Unplanned interruptions

If there is an **unplanned interruption** to your **water supply service** or **wastewater service**, we will minimise the inconvenience to you by:

- restoring the service as quickly as possible
- providing as much information as practicable on a 24 hour leaks and faults telephone service (see clause 11.4), and

- providing access to emergency supplies of water where reasonably practicable and necessary having regard to the particular circumstances.

3.4.3 Planned interruptions

We may need to arrange **planned interruptions** to the **water supply services** and **wastewater services** provided to you to allow for planned or regular **maintenance** of our **water system** or **wastewater system**.

We will inform you of the time and duration of any **planned interruption**, at least two days in advance if you are a **residential customer**, and seven days in advance if you are a **non-residential customer**, unless you agree to another period.

We will use our best endeavours to ensure the **planned interruption** is no longer than five hours from when the supply of water is turned off until the water is turned back on.

3.4.4 Water restrictions

At the discretion of the **Minister** or NSW Government, we may interrupt and/or limit **water supply services** to you or place conditions on your water use. You must comply with the supply conditions while they are in place.

We will publish any water supply conditions ~~in major newspapers throughout our area of operations and~~ on our website and in accordance with the [Sydney Water Regulations 2017 or as amended from time to time](#). These may include:

- restrictions on the use of water, including the purpose for which water may be used
- a variation of charges consistent with the **Act** and **Operating Licence**, and
- other conditions that we consider appropriate, including the period or likely period of restrictions or limitations on supply and usage of water.

We will also make every reasonable effort to notify you in your next bill of changes to supply conditions.

4 What you pay

4.1 Responsibility to pay the account

You must pay us the amount on your bill by the date specified unless you have entered into an arrangement with us to defer payment or pay by instalments or you have entered into other payment arrangements with us.

4.2 Publication of charges

We will publish on our website up-to-date information on our charging policies and current charges in accordance with clause 4.11 and, where possible, clause 4.11.4. This information will also be provided to you on request.

4.3 Concessions

You are eligible for a government funded pension concession if you hold one of the recognised pensioner concession cards. You must apply to us for the concession and establish your eligibility.

If you are eligible for the concession, we will ensure that it is granted from the commencement of the next **charging period** after your application for a concession was lodged.

You may contact us to obtain information on whether you are eligible for a concession. On request, we will provide information about concessions in a language other than English (where available).

4.4 Your bill

4.4.1 When will your bill be sent?

We will issue you a bill for the services that we provide to you. You will be sent a bill on a quarterly basis, unless otherwise agreed.

Non-residential customers with high water usage and **wastewater** disposal may be sent a bill on a monthly basis.

We will provide you with copies of your bills or a statement of all charges that you have incurred for the previous 12 months on request, free of charge.

4.4.2 What information is on your bill

We will ensure that your bill contains details of:

- the **charging period** to which it applies
- the total amount due
- the usage and **service charges**, separately itemised
- other fees and charges payable
- the date payment is due
- your postal address and account number
- the address of the **property** for which the charges in the account have been incurred
- options for the method of payment
- a comparison of your water usage with your past water usage, where available
- contact numbers for account enquiries, leaks and faults, and text telephone (TTY) services
- the payment assistance available
- information in community languages about the availability of interpreter services and the phone number for those services, and
- the credit balance or amounts overdue from previous bills.

4.4.3 How bills are sent

We will send your bill to the postal address you nominate.

If you do not nominate a postal address, the bill will be sent to:

- the **property** to which the services are available or provided, or
- your last known postal address.

On your request we may send your bill electronically.

Your bill will be considered delivered to you if it is sent by one of the above means.

[We may offer you a discount if you choose to receive your bill electronically.](#)

4.4.4 How to make a payment

We will provide you with a range of payment options including in person, by mail, via the internet or by direct debit.

You must pay by one of the methods that we offer. We will not accept payments by other methods.

[We may offer you a discount for specific payment options.](#)

4.4.5 Overdue account balances

If you do not pay your account by the due date, you will have an overdue account balance and we may charge you:

- interest on your overdue account balance, or
- a late payment fee, but only if a maximum late payment fee amount is specified by **IPART** as part of a review conducted by **IPART** under the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW).

Any late payment fee we charge you will:

- not exceed the maximum late payment fee amount specified by **IPART**, and
- be charged in accordance with any terms and conditions specified by **IPART** as part of the review (including conditions requiring us to provide you with adequate notice prior to charging you a late payment fee).

We will not charge you interest on your overdue account balance or a late payment fee if:

- we have already agreed with you a deferred payment date, or an arrangement to pay by instalments with respect to the overdue account balance, or
- you have entered into a **payment arrangement** with us.

4.5 Undercharging

If your bill states that you are required to pay us an amount that is less than what you are actually required to pay us (that is, we have undercharged you) as a result of our error, we may adjust your next bill to charge the undercharged amount as a separate item.

If the undercharging is due to:

- you providing false information
- an unauthorised connection (for example, you have not obtained our written consent in accordance with clause 8.10 or you have not obtained the required approvals for the connection)
- your breach of this contract or the **Act**, or
- building works which were not approved in accordance with clause 8.9,

you must pay the correct amount on request. We will state the amount to be paid as a separate item in your next bill.

We may also charge you from a date we determine an unauthorised connection to have occurred.

4.6 Overcharging

If your bill states that you are required to pay us an amount that is greater than what you are actually required to pay us (that is, we have overcharged you) due to our error, we will apply a credit to your next bill after we become aware of the error.

4.7 Billing disputes

If there is an unresolved dispute concerning an amount of money to be paid by you, we will not seek the disputed amount from you until the dispute has been resolved.

You are obliged to pay any undisputed charges or fees by the due date.

4.8 Wastewater usage charges

The **wastewater** usage charge applies to **non-residential customers** only. We will determine a **wastewater usage discharge factor** that is used to calculate **wastewater** charges for **non-residential customers**.

Wastewater usage and **service charges** are the sewerage usage and **service charges** set by Sydney Water in accordance with the maximum prices, or methodology for fixing the maximum prices, determined by **IPART**.

Where a **wastewater usage discharge factor** is varied, the revised charge will apply from the beginning of the next **charging period**. We will notify you of any change to your **wastewater usage discharge factor**, in accordance with clause 4.10.

4.9 How prices are determined

We set charges for ~~our~~the services we provide you under the Operating Licence in accordance with any maximum prices, or methodology for fixing the maximum prices, determined by **IPART** that applies to those services.

We may vary [our these](#) charges from time to time, but only in accordance with our **Operating Licence** and the **Act** and subject to the maximum prices, guidelines and methodologies determined or issued by **IPART**.

4.10 Notification of price variations

We will publish notice of any variations to our charges on our website and provide details on your bill. The variation will commence on:

- the first day of the next quarter after the notice of the variation has been published, or
- any other date we nominate after we have published the notice of the variation.

4.11 Other costs and charges

4.11.1 Dishonoured or declined payments

If payment of your bill is dishonoured or declined, we may charge you a dishonoured or declined payment fee in an amount not exceeding the amount specified on our website, as amended from time to time.

We may refuse to accept personal cheques or card payments for a specific bill where two or more dishonoured payments have been provided. We may refuse future payments by these means if you have a history of dishonoured payments.

4.11.2 Payment adjustments

If we incorrectly apply a payment to your bill, we will reverse the payment and inform you of this reversal.

4.11.3 Costs for installing and connecting services

You must pay the installation costs of a connection from your **property** to our **water system, wastewater system or stormwater drainage system**.

Connection to our **water system, wastewater system or stormwater drainage system** must be approved by us and comply with the conditions we set to ensure the safe and reliable supply of services.

Where a new connection point requires works on our systems, those works can only be carried out by us or a provider listed by us. This list is available on our website or by request.

4.11.4 Charges for other services

We may charge you a fee for any other services you request from us [or where we provide you a different level of service](#). To the extent that any determination of maximum prices made by **IPART** applies to these fees, we will charge those fees in accordance with that determination. In circumstances where no such determination applies, we may charge you a fee in a way determined by us and advised to you. We will publish these fees on our website, where possible, and provide you with information on request.

We may also charge you other fees, charges and amounts where we are entitled to do so under the **Act**.

4.12 Exchange of information

To the extent permitted by law, we may exchange information about your creditworthiness, credit standing, credit history or credit capacity with credit reporting agencies, other credit providers, other suppliers, or our agents, contractors and franchisees.

5 What can I do if I am unable to pay my bill?

5.1 Payment difficulties and assistance options

If you are experiencing **financial hardship** you should contact us and we will provide you with information about options available to assist you. All reasonable effort will be taken to provide assistance to you.

If you are experiencing **financial hardship**, you have the right to:

- be treated sensitively on a case by case basis by us
- receive information from us on alternative **payment arrangements**, such as a payment plan
- defer payment for a short period of time
- negotiate an amount you can afford on an agreed instalment plan. If you are a **non-residential customer** these arrangements will be based on reasonable commercial considerations and market conditions, and
- access to a language interpreter, if required, at no cost to you.

Additionally, if you are a **residential customer** experiencing **financial hardship**, we will offer you a range of options that may assist you, including:

- the option to pay smaller amounts on a regular basis, which may fit better with your income
- information from us about an accredited welfare agency for payment assistance
- Payment Assistance Scheme (PAS) credit issued by an accredited welfare agency or us
- other appropriate government concession programs
- tailored advice on other broader assistance options, and
- referral to financial counselling services.

If you are a **private residential tenant** who pays your water usage charge, you are eligible for:

- information from us about an accredited welfare agency for payment assistance
- Payment Assistance Scheme credit issued by an accredited welfare agency or us
- tailored advice on other broader assistance options, and
- referral to financial counselling services.

If you enter into a **payment arrangement** with us, we will:

- enable you to make payments by instalments, in advance or arrears
- inform you of the following:
 - the period, or periods of the payment plan
 - the amount and frequency of each instalment
 - if you are in arrears, the completion date of the payment plan required to pay the arrears, and
 - if you choose to pay in advance, the basis on how the instalments are calculated
- provide for instalments to be calculated having regard to your consumption needs, your capacity to pay and the amount of arrears you are required to pay
- ensure that your arrears are cleared over a period of time and your debt does not continue to grow, and
- deal with your financial difficulty in a fair and reasonable manner.

If you are experiencing **financial hardship** and have entered into a **payment arrangement** with us and honour that arrangement, we will:

- not take any legal action to enforce the debt or **restriction** or **disconnection** of the supply of water to your **property**, and
- waive interest and late payment fees on the overdue amount for the period of the arrangement.

6 **Restriction or disconnection of water supply and wastewater services**

6.1 **Restriction or disconnection**

If you fail to pay your bill by the due date and have failed to make alternative arrangements for payment, we may restrict or disconnect the supply of water to your **property**. This will be done in accordance with our policies relating to, debt, water flow **restriction** and **disconnection** for non-payment, as amended from time to time.

Information on these policies ~~will be sent to you annually with your quarterly or other bills. This information is also~~[available](#) on our website or on request.

6.2 **Notice of restriction or disconnection of supply of water for non-payment by customers**

If you fail to pay your bill by the due date, we will send you a reminder notice. The reminder notice will:

- state the total amount due
- state that payment is immediately due
- state that you should contact us if you are having difficulty making payment and we will provide you with payment options, including **payment arrangements**, subject to eligibility criteria, and

- advise you of your right to raise your concerns with **EWON** if you have attempted to resolve those concerns with us and are not satisfied with a decision.

If you fail to comply with the reminder notice, we will send you a **disconnection** notice advising you that:

- you must pay the bill immediately otherwise, after seven days of our issuing the **disconnection** notice to you, we may take action to restrict or disconnect the supply of water to your **property** or take legal action to recover the amount outstanding
- you may incur additional costs relating to us restricting or disconnecting the supply of water and/or taking legal action to recover the amount outstanding
- the supply of water to your **property** may be restricted or disconnected without further notice
- you have the right to raise your concerns with **EWON** if you have attempted to resolve your concerns with us and are not satisfied with a decision made by us
- you should contact us if you are experiencing **financial hardship** and we will provide you with information about options available to assist you.

6.3 Conditions for **restriction** or **disconnection** of supply of water for non-payment by customers

We may restrict or disconnect the supply of water to your **property** if:

- you have not paid your bill and at least seven days have elapsed since we issued the **restriction** or **disconnection** notice, or
- you have entered into a **payment arrangement** with us, but have failed to make the agreed payments.

If you are a **residential customer**, we will use our best endeavours to make further contact with you, in person, by post or by phone about the non-payment prior to **restriction** or **disconnection**.

Details are provided in our '[assistance options for payment difficulties and actions for non-payment payment assistance and overdue payments](#)' ~~policy policies~~ that is available on our website, as amended from time to time.

In addition to the limitations on **restriction** or **disconnection** set out in clause 6.7, we will not restrict or disconnect the supply of water for a failure to make due payment where:

- you have applied for a payment plan that is being assessed, or
- you are complying with the agreed terms of a current **payment arrangement**.

~~The notices referred to in this clause will be sent to you in the same manner in which bills~~ are sent to you under clause 4.4.3.

If you receive a bill for a new **charging period** that contains an overdue amount from a previous **charging period**, we may restrict or disconnect supply on the arrears after issuing you with the appropriate notices relating to the overdue amount, as described in this section.

6.4 **Restriction or disconnection for other reasons**

We may also restrict or disconnect the supply of services to your **property** in the following circumstances:

- if you are connected to our **water system, wastewater system or stormwater drainage system** without our approval
- if your water system, your wastewater system or your stormwater pipes ~~private works for the supply of water or wastewater to your property~~ are defective
- you fail to rectify a defect with or unauthorised work on your water system, your wastewater system or your stormwater pipe as per clause 8.7 of this contract
- ~~you fail to rectify a defective private works or unauthorised work as per clause 8.7 of this contract~~
- you have breached this contract, the **Act**, your additional services agreement or any other agreement with us
- if you use sewer mining or stormwater harvesting facilities that are not authorised by us or do not comply with applicable laws
- you discharge **trade wastewater** into our **wastewater system** without our written approval or you do not comply with the requirements of our written approval
- where you fail to ensure access to our **meter** for your **property**. Prior to taking this step, we will use our best endeavours to contact you to arrange reasonable access, leave a notice requesting access and provide you with a **disconnection** warning
- where you fail to meet our published metering requirements
- if you are connected to our wastewater system using a pressure wastewater system sewerage equipment that may be owned by us or you that is maintained by Sydney Water and you do not comply with your agreement or operation and **maintenance** requirements
- if a serious health or environmental risk is posed by the discharge of chemicals into our **wastewater system**
- if you have not installed a backflow prevention containment device if required to do so by us
- if you have not correctly installed or maintained your backflow prevention containment device or have failed to provide an annual test report by the due date
- you use your **recycled water** in a manner inconsistent with its intended purpose or in a manner contrary to the information we provide on its safe use
- where we are entitled or required to restrict or to discontinue supply by direction of the **Minister** or under an applicable law, or
- where access to the **meter** or poor quality of your pipes prevents us from exchanging the **meter** and you have failed to address this within 30 days of our notifying you of this.

6.5 Occupiers (tenants) may pay charges to avoid **restriction** or **disconnection**

Where an amount unpaid on a bill is owed by a landlord, we may accept payment of outstanding charges by an occupier of the **property** (the tenant) who may deduct them from rents otherwise payable to the landlord, as permitted under the **Act**.

6.6 Minimum flow rate during **restriction**

If we restrict the supply of water to you, we will provide a flow sufficient for health and hygiene purposes. If you believe that the **restriction** will cause a health hazard you should contact us and we will consider increasing the flow.

6.7 Limitations on **restriction** or **disconnection**

Under no circumstances will we restrict or disconnect the supply of water to your **property**:

- without providing reasonable notice to the occupier of the **property** that we intend to restrict the supply
- without giving you the notices under clauses 6.2 or 6.3 (as applicable) where the reason for **restriction** or **disconnection** is non-payment of your bill, except when an order is issued under relevant legislation
- without providing the occupier with information on our policies relating to customer hardship, debt, water flow **restriction** and **disconnection** for non-payment
- if a related complaint is being considered for resolution by us or **EWON**, and
- without advising the occupier that in some circumstances the **Act** permits a tenant to pay outstanding charges and deduct them from rents otherwise payable to the landlord and providing the occupier with a reasonable opportunity to pay the bill.

We will only carry out a **restriction** or **disconnection** on a business day (excluding Fridays and the day before a public holiday), prior to 3pm.

6.8 **Disconnection by a customer**

You may **disconnect** your **property** from our **water system** or **wastewater system** provided that:

- you have complied with all applicable health, environmental and local council regulatory requirements
- you have complied with all requirements of Sydney Water, as detailed in the policies published on our website, as amended from time to time
- you have given us information we may reasonably require
- you have given us 10 days written notice and you have obtained our written permission, and
- the **disconnection** is undertaken by a licensed plumber and conducted in accordance with plumbing, drainage or other regulations or standards that may apply.

On **disconnecting** your **property**, we may recover any equipment that Sydney Water installed on the **property** and may continue to charge you a service availability charge in accordance with the **Act**. You may apply to us to be exempted from this charge.

6.9 Restoration of water supply after *restriction* or *disconnection*

Following *restriction* or *disconnection* of your water supply, we will provide you with information to enable you to make arrangements for the restoration of the supply. A restoration fee will apply.

When the reason for the *restriction* or *disconnection* of supply no longer exists or if there is mutual agreement to restore supply, we will restore your supply:

- on the same day, if you pay or we agree to other arrangements before 3 pm on any business day, or
- on the next business day if you pay or we agree to other arrangements after 3 pm.

When the conditions for restoration are met after 3pm, we may restore supply on the same day but you may be asked to pay an after-hours restoration fee.

6.10 Costs for debt recovery activities

We may recover from you our reasonable costs associated with debt recovery under this contract.

7 Redress

7.1 Notification

If you notify us of a failure by us to comply with this contract or our activities result in inconvenience, damage or loss to you or your **property** we will promptly advise you of:

- your right to a rebate or redress under clauses 7.2, 7.3, 7.4 or 7.5
- how we may rectify your problem, and
- how to seek compensation from us under clause 7.6.

7.2 Rebates

Note: Sydney Water is engaging with customers on potential changes to rebates, as outlined in our submission to IPART's issues paper. These have not been included below. Values below are based on current values, with an increase to account for CPI.

Information on rebates provided under this contract is set out in our 'allowances and rebates on your bill' policy, which may be amended from time to time. This is available on our website or in hard copy by request.

If you are a **customer**, you are entitled to a rebate for an occurrence of the following:

- **Planned interruption**

Where your **water supply service** and/or your **wastewater service** is interrupted for over five hours by a **planned interruption** you are entitled to an automatic rebate of ~~\$35~~ \$40. You are eligible for this rebate for each and every event of this type that you experience.

Unplanned interruption

Where your **water supply** and/or your **wastewater service** is interrupted for over five hours by an **unplanned interruption** you are entitled to an automatic rebate of ~~\$35~~ \$40 for each of up to two **unplanned interruption** events. If you experience three or more **unplanned interruptions** in a 12-month period the rebate outlined in clause 7.3 will apply.

- Low water pressure

Where your **drinking water** pressure is below 15 metres head of pressure at the **point of connection** to our **water system** for a continuous period of 15 minutes, unless as a result of a supply interruption, you are entitled to a rebate of ~~\$35~~ \$40. This rebate is payable for one event each quarter. A rebate will be granted automatically when this is identified through our monitoring.

- Wastewater overflow

If you experience a **wastewater overflow** on your **property** due to a failure of our **wastewater system**, you are entitled to a rebate of ~~\$60~~ \$65. If you experience two or more

wastewater overflow events in a 12-month period, the rebate outlined in clause 7.4 will apply.

- Dirty water

If we do not provide you with clean water suitable for normal domestic purposes, you may be entitled to a rebate of ~~\$35~~ ~~\$40~~ for each occasion that we do not provide you with clean water suitable for normal domestic purposes.

If the cause of the problem is identified in **your water system** the rebate will not apply.

- Boil water ~~alert~~ incidents

If NSW Health issues a 'boil water alert' due to contamination of **drinking water** caused by us, you are entitled to a rebate of ~~\$35~~ ~~\$40~~ for each incident in relation to which the 'boil water alert/s' is/are issued.

We will pay the rebate in your next bill where possible.

7.27.3 Rebates for recurring **unplanned interruptions**

If you are a **customer** and experience three or more **unplanned interruption** events to your **property** that last for over one hour in a 12 month period, you are entitled to a rebate equal to the whole annual water service charge, less any concessions available to you, after the third event.

7.37.4 Rebates for recurring **wastewater service disruption or internal wastewater overflows**

If you are a **customer** and experience two or more **wastewater service** disruptions or internal **wastewater overflows** on your **property** in a 12 month period due to capacity constraints in our system, you will be entitled to a rebate equal to the whole annual **wastewater service** charge, less any concessions available to you, after the second event.

7.47.5 Redress

In addition to our obligation to pay a rebate under clauses 7.2, 7.3, and 7.4, we may provide one of the following forms of redress:

- reinstatement
- repair
- rectification
- construction of works
- providing alternative supplies of water
- emergency accommodation, or
- payment for damages as set out in clause 7.6.

If you are unsatisfied with the form of redress we provide you, you may request additional redress from us. We will consider your request in accordance with the timeframes in clause 12.1 as if your request were a **complaint**.

7.57.6 Claim for damages

In the event of physical loss or damage to you or your **property** that may be as a result of our activities or our failure to comply with this contract, the **Operating Licence** or the **Act**, we may compensate you for any loss suffered.

You should make your initial claim to your insurance company. If your loss is not covered by an insurance policy you may notify us for consideration.

All claims must be submitted in writing on an incident notification form that is available on Sydney Water's website or by contacting us. You must specify the nature of the problem and the compensation sought.

We will within five business days of receiving your claim:

- acknowledge receipt of your claim, and
- advise you of the name and contact details of our representative who will assist you with your claim.

We will undertake investigations into the circumstances surrounding the claim/incident and provide a response time for making a decision in regard to your claim.

You will be provided with a written assessment of your claim within the response time indicated. The assessment will outline the reasons for the decision in regard to your claim and the type of compensation to be provided, if any.

If you are not satisfied with our decision, you have the right to seek review of your claim under clause 12.2 or you may seek an external review under clause 12.4.

7.67.7 Limitation of liability

The law (including the **Australian Consumer Law**) may provide non-excludable statutory guarantees and other rights which apply to the goods and services we provide under this contract. If you are a consumer under the **Australian Consumer Law**, our goods and services come with guarantees that cannot be excluded under that law. The only additional assurances we make about the goods and services we provide under this contract, and the only conditions and warranties included in this contract are:

- those set out in this document, and
- those that the law (for example, the **Australian Consumer Law**) say are included.

However, where we are liable to you because of a consumer guarantee, our liability is to the extent permitted by law, limited to:

- replacing the goods and services to which the breach relates, or
- at our option, paying you the cost of replacing those goods, or having the services supplied again.

The limitation of our liability does not affect rights you have under a law that applies to us which says we cannot exclude or limit our liability.

8 Responsibilities for maintenance

8.1 Water pipes

You are responsible for maintaining all water pipes and fittings between our **water system** and the buildings and/or taps on your **property**. This is referred to as **your water system**.

As a property owner, you are responsible for any damage caused by a failure of **your water system**.

Subject to the exclusions listed below in this clause, as a free service, if you notify us of a failure of **your water system**, we will repair **your water system** between our **water system** and the **meter** for your **property**. However, if the **meter** lies more than one metre along your pipe inside the **property** boundary, or there is no **meter**, we will provide this service only up to one metre along your pipe inside the **property** boundary. The **property** boundary is where private pipework leaves public land and enters private land.

If you ~~prefer that we do not~~ do not want Sydney Water to repair a failure in **your water system**, you must have ~~the any~~ fault between our **water system** and the **meter** for your **property** repaired by a licensed plumber in accordance with the **Plumbing Code of Australia** or any other acts, regulations or standards that may apply.

However, ~~we are not responsible for the repair of the free service offered under this clause does not apply to, and specifically excludes the repair of:~~

- unauthorised services and water services installed contrary to appropriate codes, regulations and standards
- **fire services** (including **Combined Services**), both inside and outside the **property** boundary
- backflow prevention devices
- water services connecting to privately owned water mains, such as in some community title subdivisions, or shared **private joint services** or extended private services, and
- faults caused by your wilful or negligent act or omission.

If we make repairs to your water pipes, we will backfill and make safe any excavations required on your **property**. We will not restore any landscaping, structures or hard surfaces.

We will also not meet the costs of installing new private services or modifying, upsizing or relocating existing private services.

We are not responsible for installing, maintaining or annual testing of backflow prevention containment devices on properties, except where the device is integrated into the **meter** supplied by Sydney Water.

If you fail to carry an annual test of your backflow prevention device, we may arrange for an annual test and charge you the cost incurred by us for this.

8.2 Wastewater pipes

You are responsible for maintaining all **wastewater** pipes and fittings between your **property** and the connection with our **wastewater system**, including privately owned pressure sewerage equipment. This is referred to as **your wastewater system**.

Your wastewater system must meet appropriate codes, regulations and standards and must not allow rainwater to enter **your wastewater system**.

The **point of connection** with our **wastewater system** may be outside your **property**. If you do not know where the **point of connection** is, you should contact us for information on where to obtain a diagram.

If a fault occurs in **your wastewater system**, you are responsible for arranging to have the fault rectified by a licensed plumber or drainer.

If the fault occurs in our **wastewater system** we will repair the fault at our cost. However, you may be liable to pay for the repair to the extent you have contributed to the fault.

As a free service, Sydney Water will repair collapsed private **wastewater** pipes where the collapse is located within a footpath or roadway and a licensed plumber has confirmed that the fault cannot be repaired without excavation of the footpath or roadway and replacement of the collapsed **wastewater** pipes.

However, if the problem is assessed by Sydney Water as able to be repaired without excavation, you will remain responsible for the cost of repair. We will not reimburse any plumbing costs.

We will not provide this service for unauthorised **wastewater** systems installed contrary to appropriate codes, regulations and standards.

8.3 ~~Pressure wastewater systems~~ sewerage equipment

~~If you were connected to a **pressure wastewater system** prior to 1 July 2015, refer to our 'responsibilities of connected customers' policy for operation and **maintenance** requirements, as amended from time to time. This is available on our website or in print by request.~~

~~If you are connecting to, or you buy a **property** that is connected to an existing **pressure wastewater system** after 1 July 2015, you will be required to enter into an additional services agreement that outlines the operations and **maintenance** requirements of the **pressure wastewater system**.~~

The **pressure sewerage equipment**, generally comprises of a collection tank, a pump, an alarm control panel, electrical connections and ancillary items located on your property. It may be owned by us or you.

Sydney Water is the owner of the **pressure sewerage equipment** where the equipment is provided and installed by us or our approved contractor, on your **property**.

You are the owner of the **pressure sewerage equipment** where the equipment is provided and installed by or on behalf of you or a prior owner of your **property**. These may also be known as 'Pump-to-Sewer' connections.

You have different operation and maintenance obligations depending on whether you have **pressure sewerage equipment** that is owned by us or you.

a) Sydney Water owned **pressure sewerage equipment**

If you are currently connected, intending to connect, or you buy a **property** that is connected to our **wastewater system** using **pressure sewerage equipment** that is owned by us, you are required to enter into a separate agreement with us that covers the operation and maintenance of our **pressure sewerage equipment**. You must ensure you use our **pressure sewerage equipment** according to this agreement.

Refer to our 'Responsibilities of connected customers' policy, as amended from time to time, for a summary of the operation and maintenance responsibilities, connection application processes and equipment requirements. This information is available on our website or in print by request.

b) Privately owned **pressure sewerage equipment**

If you are currently connected, intending to connect, or you buy a **property** that is connected to our **wastewater system** using **pressure sewerage equipment** that you own, you are required to enter into a separate agreement with us that covers the operation and maintenance of your privately owned **pressure sewerage equipment**. You must ensure that you operate and maintain your **pressure sewerage equipment** according to this agreement.

Refer to our 'Responsibilities of connected customers' policy, as amended from time to time, for a summary of the operation and maintenance responsibilities, connection application processes and equipment requirements. This information is available on our website or in print by request.

8.4 Private joint water or wastewater pipes

If you share a **private joint service** for a water or **wastewater** pipe you are jointly responsible for the cost of its **maintenance**, including damage to private or public property resulting from a defect in the **private joint service**. Your shared responsibility starts from the **point of connection** to our main. The apportionment of costs incurred in its **maintenance** is a matter between you and others who share it.

Disconnection of private pipes from **private joint services** for either water or **wastewater** is a matter between the relevant **private joint service** property owners. We have no authority in respect of **disconnection** from **private joint services**.

8.5 Stormwater connections, coverings and bridges

You are responsible for the **maintenance** of any connections between your **property** and our stormwater channel, pipe or culvert.

You are responsible for the **maintenance** of any coverings, bridges or similar structures within your **property** that cover or cross our stormwater channels, pipes or culverts unless they are owned by us.

8.6 Water efficiency

You may install water efficient plumbing fixtures, appliances and equipment, such as those recommended under the Water Efficiency Labelling and Standards Scheme.

You may install water saving devices, for example:

- that collect and use rainwater for your own use. If you have a rainwater tank connected to our system, a **backflow prevention containment device** is required to be installed, and/or
- a composting toilet that does not require connection to our **water system** or **wastewater system**.

You must comply with **BASIX** requirements, plumbing regulations and health, environmental and local council requirements when installing water saving devices. Approval may be required from your local council.

On request, we will provide you with information on how to use water efficiently.

8.7 Defective work

If we become aware of any defective [work with](#) or unauthorised work to your **water system**, your **wastewater system** or your **stormwater drainage system**, that impacts or poses risks to the operation of our **water system**, our **wastewater system** or our **stormwater drainage system**, we will request the defect to be fixed within a reasonable time.

[A defect includes where your wastewater system or your stormwater drainage system allows rainwater, stormwater, groundwater or surface runoff to enter and impact the operation of our wastewater system.](#)

If you do not comply with the notice, we may undertake to restrict or disconnect your **water supply service** or your **wastewater** connection until it is fixed. We may also undertake to remedy the defective or unauthorised work and you may be charged the reasonable costs incurred by us in undertaking this work.

8.8 Giving notice of system failures

You should inform us if you become aware of any failure of our **water system**, **wastewater system**, or **stormwater drainage system**. If you notify us of an interruption to your water supply, a burst or leak in our **water system**, a disruption to the **wastewater** drainage from your **property** or an overflow or leakage from our system, we will ensure that the problem is attended to as soon as practicable.

8.9 Building work

You must not undertake any excavation, building, landscaping or construction work on your **property** without firstly identifying the location of our assets, and obtaining our consent if required. You can obtain a plan from us identifying the location of our assets.

We will request that you remove any unapproved structure or landscaping work that interferes with our system at your cost. If you do not comply with our request within the required timeframe, we will remove the unapproved work and charge you the reasonable costs incurred by us in undertaking this work. [We may also disconnect your **property** from our **water system**, **wastewater system** or **stormwater drainage system**.](#)

Properties with an existing water service must be metered during the building period. The **meter** must be accessible (as described in clause 10.4) at all times.

8.10 Connections to services

You must apply and have our written consent to be able to connect to our services.

Once your application is approved, connections to our **water system**, **wastewater system** or **stormwater drainage system** are to be made using the services of a provider listed by us or licensed plumber and in accordance with plumbing, drainage or other regulations or standards that may apply. A list of providers is available on our website or by request.

8.11 Altering and unauthorised connection or use

You must not:

- wrongfully take, use or divert any water supplied by us
- use a dedicated **fire service** for any purpose other than firefighting or testing of the **fire service**
- wrongfully interfere with the operation of a **meter**, metering system or prevent a **meter** from registering the quantity of water supplied by us, or
- wrongfully discharge any substance into a system owned by us.

If you do not comply with the requirements in this clause, we may charge you for the estimated amount of water used. Fines may also apply and be imposed on you by a relevant authority.

You must obtain our consent before carrying out any activity that may alter, cause destruction of, damage or interfere with our **water system**, **wastewater system** or **stormwater drainage system**.

8.12 Removal of trees

If a tree on your **property** is obstructing or damaging our **water system**, **wastewater system** or **stormwater drainage system**, or is reasonably likely to do so, we may require the removal of the tree at your cost.

We will give you 14 days' notice in writing requiring you to remove the tree. You may with our consent and at your cost, take steps to eliminate the cause of damage or interference

to our **water system, wastewater system or stormwater drainage system**, without removing the tree.

We will reimburse you for reasonable expenses incurred in removing the tree if:

- the person who planted the tree on your **property** could not have reasonably known that the planting of the tree would result in the damage or interference, and
- an easement did not exist in favour of our system when the tree was planted on your **property**.

If you fail to comply with the notice to remove the tree, by the specified date without reasonable cause (such as a delay or failure in obtaining consent from Council or refusal from Council to allow you to remove the tree), then we may remove the tree and recover the costs of removal from you.

We cannot require a tree to be removed that is the subject of a protection or conservation order under the *Heritage Act 1977*, the *National Parks and Wildlife Act 1974* or any applicable law.

9 Entry onto a customer's property

9.1 Access to Sydney Water's systems

You must ensure that we have safe access to your **property** to:

- maintain our **water system, wastewater system and stormwater drainage system**
- ~~to~~ ensure that this contract or the **Act** is being complied with
- ~~for~~ for other purposes set out in the **Act** or other applicable laws, ~~and~~
- ~~identify if~~ identify if **your water system, your wastewater system or your stormwater drainage system** comprise defective private works, and
- to read, fit, exchange or maintain a **meter**.

9.2 Identification

When we enter your **property**, our staff or contractors will carry identification that will be shown to you (or to any person present at the time of access).

9.3 Notice of access

We will give you, or the occupier of your **property**, two days written notice of our intention to enter onto your **property** specifying the date and approximate time of our entry onto your **property**, unless you agree to a shorter notice period.

We will not give you written notice in cases where:

- entry is required urgently
- the purpose is to read, fit, exchange or maintain a **meter**
- giving notice would defeat the purposes of entry
- we intend to conduct a water restriction investigation on your **property**
- we need to investigate a health or safety issue, or
- we conduct a general **property** inspection such as verifying connection installation, **meter**, plumbing or a **backflow prevention containment device** inspection.

9.4 Impact on customer's property

If we enter your **property** for the reasons outlined in clause 9.1, we will ensure that we:

- cause as little disruption or inconvenience as possible
- remove all rubbish and equipment we have brought on to the **property**; and
- unless otherwise agreed, leave the **property**, as near as possible, in the condition, that it was found on entry.

You may be entitled to compensation from us under the **Act** for damage incurred by our entry to your **property**.

10 Water meter reading, installation, testing and maintenance

10.1 Installing and maintaining a meter

Unless Sydney Water otherwise agrees, your **property** must have a **meter** to measure the quantity of water that we supply you. Details, including who is required to supply you with the **meter** and who is required to pay for the plumbing installation are provided in our metering requirements published in our policies and guidelines that are available on our website, as amended from time to time.

If you install a **meter** in an inaccessible location, or make a **meter** inaccessible to us, we may charge you a fee for the provision of a remote reading device.

An approved **backflow prevention containment device** appropriate to the **property's** hazard rating must be fitted. [The backflow prevention containment device must comply with AS/NZS 3500 for plumbing and drainage.](#) Residential **properties** with low hazards serviced by either a 20mm or 25mm **meter** are exempt from this requirement because these **meters** already contain a backflow device. **Properties** with larger **meters** must comply with our requirements published in our policies on our website, as amended from time to time.

If you have a Sydney Water **data logger** on your **property** as part of a metering system, [for e.g. in multi-level buildings](#), you are responsible for maintaining and paying for the continuous electricity supply to it.

You are responsible for installing the pipework on either side of the **meter**. You are also responsible for maintaining the pipework located on either side of the **meter**, unless we

maintain it under clause 8.1. For further details, refer to our requirements published in our policies on our website, as amended from time to time.

The installed **meter** remains our property and we will maintain it. In multi-level buildings the individual unit **meter** becomes our property once transferred to us, and from such time we will maintain it.

We may charge you for the cost of repair or replacement of the **meter** and its assembly if it is wilfully ~~or~~ negligently damaged or removed by you.

We may charge you an unmetered service charge if there is no **meter** measuring the supply of water to your property.

We may require that you fit a **meter** to your fire service. This requirement will be noted in your connection approval.

10.2 Measuring water supplied

You will be charged for the quantity of water measured by the **meter** for your **property**, unless the **meter** is faulty and we are required to adjust what we charge you under clause 10.3.

If a **meter** is stopped, inaccessible, or damaged, an estimated usage will be calculated on a basis that is representative of your usage pattern.

~~Where no satisfactory basis exists to adjust a usage charge, we will negotiate with you a mutually agreeable adjustment of charges based on an estimated reading.~~

Where we have made three attempts to contact you to arrange to repair or replace a meter and we have had no response, we may charge you as an unmetered service.

When the price for water or **wastewater** usage is varied on a date that falls within your **meter** reading period, we will apply the new price on a pro rata basis.

We will endeavour to provide an actual **meter** reading once every 12 months, inclusive of meter readings taken by you on our behalf.

You must not remove a **meter** from your **property** without our consent.

Where your **meter** is part of an automated meter reading system in a multi-level building we may share your **meter** reading information with the **Owners Corporation** or building manager.

10.3 Meter testing

If you consider that the **meter** is not accurately recording water passing through it, you may request that we test it. We will advise you of the **meter** reading results and make available a written report on your request.

If the test shows that the **meter** is over-recording, by more than three per cent of the actual quantity of water passing through it, we will:

- repair or replace the **meter**
- refund any charge paid by you for the test, and

- adjust your bill by calculating the measurement error on a basis that is representative of your consumption pattern.

10.4 Access to the water meter

We may enter your **property** without notice for the purposes of reading, testing, inspecting, maintaining and replacing the **meter**.

You must ensure that the meter is accessible for **meter** reading and **meter maintenance** purposes. The **meter** and the visible pipe connected should be clear of concrete, plants, trees bushes and other obstructions.

If you have not provided reasonable and safe access to your **meter**, we may bill you on an estimate of your usage, ~~and may also recover from you the cost of the attempted meter reading.~~

If you have not provided reasonable and safe access to your **meter** for reading or maintenance on ~~two~~three or more occasions, we may:

- ask you to relocate the **meter** at your cost
- ask you to read the **meter** yourself and provide us with the reading
- seek access at a time suitable to you, which may incur an additional fee
- ask you to install a remote reading device, which may incur an additional fee
- take action under clause 6.4 and restrict or disconnect your supply until you replace your pipes or remove the obstruction or concrete around the **meter**, or
- make other arrangements with you.

If you intend to relocate your **meter**, you should engage a licensed plumber at your cost. Your plumber should check our requirements published in our policies on our website, as amended from time to time, before relocating the **meter**.

10.5 Meter replacement

We will replace the **meter** at no cost to you if the **meter**:

- is found to be defective
- if it can no longer be reasonably maintained, or
- is replaced as part of a **meter** replacement program.

We will attempt to notify you at the time of replacement and advise you that a new **meter** has been installed. A mutually acceptable time will be negotiated with **non-residential customers** for the replacement of **meters**.

If the **meter** is damaged by you or a person acting on your behalf, other than by normal wear and tear, we will charge you for the cost of replacing the damaged **meter**.

11 Who can I speak to if I have any questions or want to make enquiries?

11.1 Telephone *enquiries*

If you have a telephone **enquiry**, relating to a bill, payment options, concession entitlements or other information about our services, you may contact us on 13 20 92 between 8.30am and 5.30pm, Monday to Friday, excluding public holidays.

Our contact phone number is provided on your bill, in the phone directory and on our website.

If your **enquiry** cannot be answered immediately, we will provide a response to your **enquiry** within five business days of receiving it.

11.2 Internet *enquiries*

You can find information on a range of topics on our website at sydneywater.com.au. You can also ask questions and be provided with a response.

11.3 Written *enquiries*

You can also email or write to us.

Email **enquiries** should be sent to CustomerService@sydneywater.com.au and written **enquiries** sent to: Sydney Water PO Box 399 Parramatta 2124.

We will reply to your written **enquiry** within five business days of receiving it by mail, where your matter cannot be responded to sooner by phone contact.

11.4 Leaks and faults assistance

In the event of a leak or break to our water main, a **wastewater overflow**, an **unplanned interruption** to supply, or a water quality or water pressure problem, you may contact our 24-hour leaks and faults phone service [on 13 20 90](tel:132090).

~~Our leaks and faults phone number is listed on your bill, in the telephone directory and on our website.~~

11.5 Interpreter and TTY Service

We provide an interpreter service and a TTY service for the hearing impaired at our cost.

12 If I am unhappy with the service provided by Sydney Water what can I do?

12.1 *Customer complaints*

If you have a **complaint** about our service or our compliance with this contract, the **Act** or **Operating Licence**, you should first contact us, either by telephone or by writing to us.

We will address your **complaint** promptly by providing:

- a telephone response within two business days where you have made contact with us and the matter cannot be dealt with immediately, or
- a written or email response within five business days where you have made a written or email complaint and the matter cannot be responded to sooner by phone contact.

The response will provide you with our intended course of action and/or identify when the action will be taken. We will also provide the name of a contact person for follow up enquiries.

12.2 *Complaints review*

If you are not satisfied with the solution offered or action taken by us, you may have the **complaint** reviewed by a Sydney Water manager.

The manager will:

- clarify your **complaint** and the outcome sought
- ensure that the **complaint** has been properly investigated
- advise you of the estimated timeframe for our proposed action
- inform you of the outcome of the manager's review
- outline the relevant facts and regulatory requirements where appropriate
- indicate what we will do to address the issue, and
- notify you of your rights to external review if you are still not satisfied with our decision.

12.3 *Resolution of complaints*

A **complaint** will be considered resolved if we provide you with a response:

- that resolves the dispute to your satisfaction or indicates how the dispute will be resolved to your satisfaction
- that provides an explanation of the relevant policy and/or regulatory requirements and why no further action is proposed in relation to the dispute
- that provides a date when the issue will be resolved if the **complaint** relates to future planned operational or capital work, or
- where 28 business days have passed since we provided you with a response and you have not sought a further review by us or lodged a claim in an external dispute resolution forum.

We will extend the 28 business days by a reasonable period if:

- within those 28 business days you have requested an extension, or
- after the 28 business days you demonstrate that, because of special circumstances, you were unable to seek an extension within the 28 business days.

Where a further communication from you or your representative is received, this shall be regarded as a new **enquiry** or **complaint**.

12.4 External dispute resolution

You have the right to seek external resolution of a dispute that has not been resolved by us to your satisfaction.

12.4.1 The Energy and Water Ombudsman, New South Wales

You have the right to refer a **complaint** or dispute arising under this contract to **EWON**. **EWON** is an independent dispute resolution body that can investigate and resolve disputes you have with us under this contract. EWON will work with Sydney Water and the **customer** to find a fair and reasonable outcome.

Disputes that may be referred to **EWON** include disputes about supply of service, your bill, credit or payment services, **restriction** or **disconnection**. Full details are available from **EWON**.

You should attempt to resolve the issue with Sydney Water prior to referring the matter to **EWON**.

EWON's services are available to you without cost.

12.4.2 NSW Civil and Administrative Tribunal (NCAT)

The **NCAT** may hear and determine consumer claims relating to services supplied by us under this contract.

12.4.3 Other legal avenues

You may also have recourse to the courts.

13 Consultation, information and privacy

13.1 Involving customers in service planning

To enable community involvement on issues relevant to our programs, services and decision-making processes, we have a **Customer Council**.

Further information on the role and functions of the **Customer Council** may be obtained on our website or by contacting us.

13.2 Providing information

We will respond in a timely and open manner to requests for information consistent with normal commercial practices and relevant legislation, including the *Government Information (Public Access) Act 2009*.

13.3 Privacy

We will treat your **personal information** according to the applicable provisions of the *Privacy and Personal Information Protection Act 1998* (NSW) and the *Health Records & Information Privacy Act 2002* (NSW).

Details on how we handle your **personal information** and protect your privacy are is provided in our 'privacy' policy, which is available on our website, as amended from time to time.

Privacy enquiries and complaints may be directed to our Privacy Coordinator, or to the NSW Privacy Commissioner.

14 When does this contract with Sydney Water terminate?

14.1 Termination of this contract

This contract, or relevant clauses of this contract, will terminate between you and us if you cease to be covered by all or part of this contract as described in clause 2.2.

The termination of this contract does not affect any rights or obligations of you or us that accrue prior to termination.

If this contract, or part of the contract, terminates because you have requested that some or all of the services that we provide to your premises be transferred to a supplier licensed under the **WIC Act**, we will comply with the Transfer Code of Conduct established under that Act to affect the transfer.

14.2 Variation of this contract

We may vary this contract with approval from the Governor and as permitted by the **Act** as follows:

- a notice identifying a variation to this contract (other than for variations of charges and fees) will be published in a daily newspaper circulating in the area of operations

[on our website and as required by the **Act**](#) at least six months before the variation becomes effective, or a shorter period of notice approved by the **Minister**, and

- a copy of the notice will also be given to each **customer**.

This requirement to obtain approval from the Governor and to give notice of variations to the terms of the contract does not apply to variations to fees and charges made in accordance with a determination by **IPART**. Variations to charges and fees will be published in accordance with clause 4.10.

Information on all variations to this contract will be made available on our website or provided to you on request and will otherwise be made available to you in accordance with our **Operating Licence**.

15 Definitions and interpretation

15.1 Definitions

Act	<i>Sydney Water Act 1994</i> (NSW) and any regulations in force under it.
Area of operations	<u>The area of operations specified in section 10(1) of the Act, a description of which is set out in Schedule 1 of the Operating Licence.</u> The area of operations specified in section 10(1) of the Act, and described in Schedule 1 of the Operating Licence.
Australian Consumer Law	The Australian Consumer Law, as set out in Schedule 2 to the <i>Competition and Consumer Act 2010</i> (Commonwealth).
Australian Drinking Water Guidelines	The document entitled <i>Australian Drinking Water Guidelines 2011</i> published by the National Health and Medical Research Council and the Natural Resource Management Ministerial Council of Australia and New Zealand (as amended or updated from time to time).
Australian Guidelines for Water Recycling	The document entitled <i>Australian Guidelines For Water Recycling: Managing Health and Environmental Risks (Phase 1)</i> published by the Environment Protection and Heritage Council, the Natural Resource Management Ministerial Council and the Australian Health Ministers' Conference in November 2006 (as amended or updated from time to time).
Backflow prevention containment device	A device to prevent the reverse flow of water from a potentially polluted source, into the drinking water supply system.
BASIX	The NSW Government's Building and Sustainability Index, which applies to all new homes and some renovations.
Charging period	Any period for which your bill was calculated.
<u>Combined Service</u>	<u>A single water connection to our water supply system used to provide both firefighting and domestic water needs.</u>
Complaint	<u>An expression of dissatisfaction made to or about Sydney Water related to its products, services, staff or the complaint handling process itself, where a response or resolution is explicitly or implicitly expected or legally required.</u> An expression of dissatisfaction made to Sydney Water or its contractors related to its products or the complaint handling process itself, where a response or resolution is explicitly or implicitly expected.
Customer	Has the meaning given in clause 2.2.

Customer Contract	Means this document as found in Schedule 4 of the <i>Operating Licence</i> .
Customer Council	<p><u>A group of organisations representing a broad cross-section of Sydney Water's Customers and Consumers that are determined by the Customer Council Charter. Sydney Water may have more than one Customer Council.</u></p> <p>A customer council established by us under section 15 of the Act and clause 5.5 of the <i>Operating Licence</i>.</p>
Data logger	This is a device that electronically measures water use. An owner may retrofit this device to the meter when they want up-to-date information on their water use.
Declared stormwater drainage area	An area declared to be a stormwater drainage area as set out in Schedule 1 of the <i>Sydney Water (Stormwater Drainage Areas) Order 2011</i> .
Disconnection	The stopping (either temporarily or permanently) of our supply of services to your property .
Drinking water	<u>Water intended primarily for human consumption but which has other personal, domestic or household uses such as bathing and showering.</u> Water that is intended for human use and consumption and free of harmful chemicals and disease-causing organisms.
Enquiry	A written or verbal approach by a customer which can be satisfied by providing written or verbal information, advice, assistance, clarification, explanation or referral about a matter.
EWON	<p><u>The Energy & Water Ombudsman NSW. The NSW industry complaints scheme for the water industry of that name and any successor to that scheme.</u></p> <p>The Energy & Water Ombudsman NSW.</p>
Financial hardship	A situation where a customer is willing but unable to pay all or some of the bill by the due date.
Fire service	A water service constructed to meet fire protection requirements under the building or fire codes and standards. <u>Combined Services are considered to be Fire Services.</u>
IPART	The Independent Pricing and Regulatory Tribunal of New South Wales <u>constituted by the IPART Act</u> .
Maintenance	Includes repairs and replacement and, where relevant, testing and inspection.

Meter	The device used to measure water use. This includes any remote reading equipment and associated wiring, power, data logging and servicing equipment.
Minister	The Minister responsible for administering those provisions of the Act relating to Sydney Water's operating licence.
NCAT	The NSW Civil and Administrative Tribunal.
Non-residential customer	A customer who is not a residential customer .
NSW Health	The New South Wales Ministry of Health.
Operating Licence	The licence granted to Sydney Water under section 12 of the Act .
Owners Corporation	The collective group of owners of a strata plan.
Payment arrangement	An arrangement between Sydney Water and a Customer to pay their bill by instalments, in advance or in arrears.
Personal information	Any information held by us that relates to the supply of services by us, where your individual identity is apparent or can be reasonably ascertained from the information.
Planned interruption	<p><u>An event which:</u></p> <p><u>a) commences when the supply of Drinking Water at the first cold water tap of a Property is interrupted following receipt by the Customer or Consumer of a prior water interruption notice from Sydney Water; and</u></p> <p><u>b) ceases when a normal supply of Drinking Water is restored to the Property referred to in paragraph (a).</u></p> <p>An interruption initiated by us to allow maintenance to be undertaken.</p>
Plumbing Code of Australia	The National Plumbing Code of Australia as produced by the Australian Building Code Board.
Point of connection	Where the private service from a property connects to our water system , wastewater system or stormwater drainage system .

Pressure ~~wastewater~~ sewerage system equipment

Where wastewater is collected in a tank installed on a private **property**. A pump located inside the tank grinds the wastewater into a slurry and pumps it from the private property to the main **wastewater** network.

The equipment includes a collection tank, pump, alarm control panel, electrical connections and ancillary items located on the private **property**. A system where individual pumps are located in collection tanks and installed on private **property**. The ~~wastewater~~ is then pumped to the main **wastewater** network.

Private joint service

A private joint water or **wastewater** service exists when a private pipe serves more than one property, but there is a single connection to our main.

Private residential tenant

A person who occupies premises under a residential tenancy agreement, excluding premises managed by a **social housing provider**.

Property

Any real property that is connected to, or for which a connection is available to, our **water supply system** or our **wastewater system** or is within a **declared stormwater drainage area** or within the **Rouse Hill stormwater catchment area**. This also includes strata titled properties.

Recycled water

Water that has been appropriately treated to be suitable for re-use, other than for use as **drinking water**.

Recycled water area

Water which, upon appropriate treatment, is suitable for its intended re-use application.

A community or communities supplied with **recycled water** through a pipe network separate from the **drinking water** system.

Residential customer

A **customer** who owns a **property** that is used as a principal place of residence.

Restriction

A direct intervention in the supply system by Sydney Water in order to reduce flow to a **customer's property**.

Rouse Hill stormwater catchment area

The area of land located in the Rouse Hill stormwater catchment as identified in any determination made by **IPART** of maximum prices that may be levied by **Sydney Water** for **stormwater services**, as in force from time to time.

Service charge A charge that applies to **customers** for being connected to our **water system** and/or **wastewater system** and/or within a declared **stormwater drainage area** or the **Rouse Hill stormwater catchment area**.

Sewer mining Sewer mining is the process of tapping into a **wastewater** pipe (either before or after the wastewater treatment plant) and extracting **wastewater** that is then treated and used as **recycled water**.

Social housing provider A **social housing provider** means any of the following:

- the New South Wales Land and Housing Corporation
- the Aboriginal Housing Office
- an organisation registered under Part 5 of the *Aboriginal Housing Act 1998*, and
- a registered community housing provider.

Stormwater drainage system The stormwater drainage channels, land for drainage, pipes, detention structures, and stormwater quality improvement devices and other equipment that we provide, manage, operate and maintain under the **Act** to provide **stormwater services**.

Stormwater services The services we are permitted to provide by the **Operating Licence** and any applicable law in respect to providing **stormwater drainage systems**.

Trade waste See **trade wastewater** below.

Trade wastewater Any liquid and any substances contained in it, which may be produced at the premises in a non-residential activity, and ~~any~~ which may be transported by vehicle transporting- including **wastewater**, ~~including~~ septic effluent and **wastewater** from ships and boats. It includes run off from contaminated open areas. **Trade wastewater** does not include domestic **wastewater** from premises connected to our **wastewater system**.

The term **trade waste** and **trade wastewater** as used in this document are inter-changeable.

Unplanned interruption An event which:

a) commences when the supply of Drinking Water at the first cold water tap of a Property is interrupted without the Customer or Consumer having received prior notice of that interruption from Sydney Water; and

b) ceases when a normal supply of Drinking Water is restored to the Property referred to in paragraph (a).

	An interruption that is caused by a fault in our water system or a fault that is our maintenance responsibility and no notice has been given to you.
Wastewater	An effluent stream comprising elements such as sewage, trade waste discharges and grey water. Also known as sewage, wastewater includes the water you flush down your toilet, water that drains from your bathtub, sink, washing machine and many other sources.
Wastewater overflow	The discharge of untreated or partially treated sewage from any part of Sydney Water's wastewater system which may occur in dry weather or in wet weather. A discharge of untreated or partially treated wastewater from our wastewater system. These overflows may occur in wet or dry weather.
Wastewater service	The service we are permitted to provide by the Operating Licence and any applicable law in respect to: <ul style="list-style-type: none"> • providing wastewater services, and • disposing of wastewater.
Wastewater system	The wastewater pipes and treatment plants and other equipment that we provide, manage, operate and maintain under the Act to provide wastewater services and disposal of wastewater . <u>This comprises of three types of wastewater systems - pressure sewerage, gravity and vacuum.</u>
Wastewater usage discharge factor	A wastewater usage discharge factor is a measure of the volume of wastewater discharged to the wastewater system expressed as a percentage of water delivered to the property via all Sydney Water drinking water meters .
Water supply service	The services we are permitted to provide by the Operating Licence and any applicable law in respect to storing and supplying water.
Water system	The water mains, pipes, treatment plants and other equipment that we must provide, manage, operate and maintain under the Act to supply and store water.
WIC Act	<i>Water Industry Competition Act 2006 (NSW)</i>
Your wastewater system	Has the meaning given in clause 8.2.
Your water system	Has the meaning given in clause 8.1.

15.2 Interpretations

A person includes an individual, a body corporate, an unincorporated body or other entity.

The law includes legislation, regulations, licences, orders, mandatory codes, permits and directions.

A business day is a day other than a Saturday, Sunday or public holiday in New South Wales.

The singular includes the plural and vice versa.

If there is any inconsistency between this contract and any law, the law will prevail to the extent of the inconsistency.

The reference to document, instrument or law includes any amendments, revisions, renewals or reprints from time to time.

Where a word is defined, any other grammatical form of that word has a corresponding meaning.

A reference to we, our or us means Sydney Water Corporation, established under the **Act**, including its officers, employees, agents and contractors.

A reference to you or yours means our **customers**.

