

15 February 2019

Our ref: D2019/12280

Review of the Sydney Water Corporation Operating Licence
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

To whom it may concern

Review of the Sydney Water Corporation Operating Licence

WaterNSW appreciates the opportunity to provide comment on the review of the Sydney Water Corporation Operating Licence.

WaterNSW is a state owned corporation, whose role it is to supply and seek to improve the availability of water that is essential for water users and communities throughout NSW. WaterNSW's functions include bulk water supply from its storages to customers in the Greater Sydney drinking water catchment and in the state's regulated surface water systems. Sydney Water is one of WaterNSW's largest customers.

WaterNSW has limited comments on the proposed changes to Sydney Water's Operating Licence.

WaterNSW supports draft recommendations 3 and 4 on critical infrastructure. WaterNSW is similarly a regulated entity under the *Security of Critical Infrastructure Act 2018* (Cth). We agree with commentary made by Sydney Water and Hunter Water that operating licence obligations in this area are unnecessary, and potentially duplicative.

Draft recommendation 6 relates to the impacts of five year licence terms. We note that a five year term may suit Sydney Water's needs however we observe there may be unintended consequences for WaterNSW and IPART. To the extent that sequencing the operating licence review prior to the pricing review is ideal for all parties, then consideration must also be had to the term of the relevant future regulated pricing period, and whether a longer pricing period is to be considered by Sydney Water or IPART. Given the benefits of Sydney Water and WaterNSW's pricing reviews being held concurrently (and as reinforced by draft recommendation 23), then a five year licence term aligned with a similar five year pricing period may result in a disjoint in price review periods with WaterNSW.

We note that IPART wishes to retain a four year term to avoid concurrent licence and price reviews, and WaterNSW would support this view on account of WaterNSW's preference to retain a similar period and sequence for its pricing and licence reviews. If IPART were to proceed not to align the operating licence and the determination, they should provide the ability for an opening of the determination to address material licence review changes/outcomes.

WaterNSW supports draft recommendation 23, which relates to Sydney Water's development of a long-term capital and operational plan and a drought response plan, and to use its best endeavours to develop these plans as joint plans in cooperation with WaterNSW. We support this type of outcome-based regulation, and note that both organisations (WaterNSW and Sydney Water) have already proactively commenced this work some 18 months ago. We anticipate a similar clause to be inserted into our Operating Licence in the near future, and look forward to continuing to work collaboratively with Sydney Water on these projects.

WaterNSW supports the approach detailed in draft recommendations 49 and 50, relating to the removal of requirements to certify management systems and notify IPART of any significant changes proposed. While certification provides numerous benefits, we agree this is appropriately an internal business decision, and does not need to be included in Sydney Water's operating licence.

Thank you for the opportunity to comment on the review of Sydney Water's Operating Licence.



David Harris

Chief Executive Officer