

# **Assessment of Coorangbong Water's application to vary its network operator's licence 15\_033**

Prepared under the  
*Water Industry Competition Act 2006 (NSW)*

**Water — Report to the Minister**  
December 2015



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# 1 Summary

We recommend that the Minister grants a variation to the network operator's licence (licence number 15\_033) of Cooranbong Water Pty Ltd (Cooranbong Water). The licence will authorise Cooranbong Water to construct, operate and maintain drinking water, non-potable<sup>1</sup> water and sewerage infrastructure for a further 310 lots in a residential subdivision of the North Cooranbong Development. The development is located at Cooranbong in the Lake Macquarie Local Government Area. This is consistent with the application Cooranbong Water provided to us.

On 11 June 2014, we received Cooranbong Water's licence application for a network operator's licence for the North Cooranbong Development. Cooranbong Water requested that we consider its application in separate phases:

- ▼ Phase 1 involves the construction, operation and maintenance of a recycled water treatment plant and the drinking water, non-potable water and sewerage reticulation infrastructure for the first 81 residential lots.<sup>2</sup>
- ▼ Phase 2 involves the construction, operation and maintenance of the relevant reticulation infrastructure for a further 310 residential lots.<sup>3</sup>
- ▼ Phases 3 and beyond - for the remaining phases of the North Cooranbong Development, the reticulation infrastructure will be extended to provide the relevant services to the remaining lots. These will be subject to future licence variation applications and assessments.

A network operator's licence was granted to Cooranbong Water for Phase 1 of the application in August 2015.

Phase 2 is the focus of the current licence variation assessment.

Since our assessment of Phase 1 of the application, the site of the proposed recycled water treatment plant has been granted development consent by Lake Macquarie City Council<sup>4</sup>. The 310 lots in Phase 2 have also been granted development consent.<sup>5</sup>

In assessing Cooranbong Water's licence variation application, we considered the licensing criteria set out in sections 10(3)-(4) of the *Water Industry Competition Act 2006* (NSW) (WIC Act), and had regard to the licensing principles in section 7(1) of the WIC Act.

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<sup>1</sup> In the *Water Industry Competition Act 2006* (NSW), non-potable water means water that is not drinking water.

<sup>2</sup> Letter to IPART, Mr Steve Hall, Cooranbong Water, 9 June 2015.

<sup>3</sup> Email to IPART, Mr Steve Hall, Cooranbong Water, 25 November 2015.

<sup>4</sup> Lake Macquarie City Council, Notice of determination DA/714/2015, 27 July 2015.

<sup>5</sup> Lake Macquarie City Council, Notice of determination DA/307/2015/A, 24 July 2015.

In addition to assessing the application against the licensing criteria and principles of the WIC Act, we also considered whether Cooranbong Water's services should be declared monopoly services and subject to price regulation. We consider that the drinking water, recycled water and sewerage services at the North Cooranbong Development could be considered a monopoly service. However, we recommend Cooranbong Water not be declared a monopoly supplier in relation to these services at this time on the basis that they have indicated to us that they will match Hunter Water's prices for water and sewerage services in the area.

Should the Minister declare any monopoly services, we recommend that the Minister does not refer any of these services to IPART for determination of pricing or a periodic review of pricing policies, at this time.

The Minister must consider, but is not bound to accept, any advice or recommendation in this report in determining the licence application. The Minister may, if circumstances so require, seek further advice from us in relation to the licence application.<sup>6</sup>

## **2 Background**

### **2.1 The applicant and its parent organisation**

The applicant, Cooranbong Water, is a subsidiary company of Flow Systems Pty Ltd (Flow Systems). Cooranbong Water has no direct employees and relies on the full support of Flow Systems to provide technical, financial and organisational capacity. Flow Systems is named on the current licence as an authorised person.

Flow Systems currently hold seven network operator's licences through its subsidiary companies, at Central Park, Discovery Point, Green Square, Huntlee, North Cooranbong (Phase 1), Pitt Town and Wyee. It is licensed for the construction, operation and maintenance of drinking water, non-potable water and sewerage services for most of these schemes. In addition, Flow Systems has several other applications for network operator's licences that are currently being assessed.

On 14 May 2015, the Minister granted a variation to Flow Systems' retail supplier's licence (licence number 13\_001R) to include the provision of drinking water supply, non-potable water supply and sewerage services at the North Cooranbong Development.

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<sup>6</sup> WIC Act, section 10(2).

On 6 August 2015, the Minister granted a network operator’s licence to Cooranbong Water (licence number 15\_033) to construct, operate and maintain a recycled water treatment plant and the drinking water, non-potable water and sewerage reticulation infrastructure for the first 81 residential lots at North Cooranbong.

## 2.2 The scheme

Flow Systems has been engaged by the developer, Johnson Property Group Pty Ltd (JPG), to establish a local water utility (Cooranbong Water) for the North Cooranbong Development.

JPG is currently undertaking a new large-scale residential development ‘Watagan Park’ at Cooranbong, in the Lake Macquarie City Council area, NSW (the North Cooranbong Development). The North Cooranbong Development will comprise approximately 2,236 lots. Of these, 132 lots have already been developed and will be connected to Hunter Water Corporation’s (Hunter Water) existing infrastructure, which is not part of this licence application assessment. The remaining 2,104 lots are proposed to be serviced by Cooranbong Water and developed in 12 residential stages. The scheme includes one primary school allotment, landscaped areas, public open space, recreation areas and a small retail precinct.

**Table 2.1 Cooranbong Water’s licence – first two phases**

Phase	Description	Status	Relevant development stage
1	Water industry infrastructure for the initial 81 lots, including drinking water, non-potable water, sewage reticulations and the recycled water treatment plant	Licence approved	Watagan Park Stage 1E, 1F, 1G & 1H, with approved DA/573/2014 and DA/714/2014
2	Water industry infrastructure for additional 310 lots, including drinking water, non-potable water, sewage reticulations	Subject to this assessment	Watagan Park Precinct 2, with approved DA/307/2015 and DA/307/2015/A

Cooranbong Water was granted a network operator’s licence by the Minister on 6 August 2015 that permits the construction of recycled water treatment plant, storage and reticulation networks of drinking water, non-potable water and sewerage to 81 lots in the ‘Stage 1E, 1F, 1G & 1H’ subdivision of the North Cooranbong Development (ie, Phase 1). In Phase 1, Cooranbong Water’s pressure sewerage system discharges into Hunter Water’s existing sewerage infrastructure. Drinking water will be supplied by Hunter Water, and delivered to customers by Cooranbong Water’s infrastructure.

The current licence variation assessment is for Phase 2 of Cooranbong Water's scheme, where reticulated networks are proposed to be extended to provide drinking water, non-potable water and sewerage infrastructure to a further 310 lots in 'Precinct 2'. Hunter Water advised that up to a maximum of 156 lots (81 initial lots + 75 additional lots) may connect during the period to establish the recycled water treatment plant, generating a peak sewer discharge of 4 litres per second from the pressure sewer network until August 2016.<sup>7</sup> In licence variation phases 1 and 2, the Cooranbong Water's pressure sewerage system can be discharged to Hunter Water's existing sewerage infrastructure, where interim sewage flow balancing tank may be required to reduce the peak flow. Hunter Water will review the interim sewage service arrangement with Cooranbong Water before August 2016.<sup>8</sup>

Drinking water will be supplied by Hunter Water and delivered to customers by Cooranbong Water's infrastructure. Non-potable water is proposed to be available in late 2017, depending on the rate of lot sales. At the request of the applicant, the remaining portions of its licence application were not assessed as part of this licence variation.

Flow Systems will provide retail services at North Cooranbong development for water supply, non-potable water supply and sewerage services.

The North Cooranbong Development received concept approval<sup>9</sup> under Part 3A of the *Environment Planning and Assessment Act 1979* (NSW) (EP&A Act) in December 2008. This concept approval does not permit the construction of any aspect of the proposal which will be subject to separate project approvals. Since 2008, and at the time of writing this report, three development consents have been granted by Lake Macquarie City Council for the North Cooranbong Development under Part 4 of the EP&A Act. These consents covered the 81 lots residential subdivision and the recycled water treatment plant, and the 310 lots subdivision.<sup>10</sup> These approvals cover the Phase 1 and Phase 2 area of this assessment.

Lake Macquarie City Council is currently assessing two more development applications<sup>11</sup> for the North Cooranbong Development where the development is progressively staged. These areas are outside our current assessment.

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<sup>7</sup> Letter from Hunter Water to Flow Systems, 5 June 2014.

<sup>8</sup> Letter from Hunter Water to Flow Systems, 27 October 2015.

<sup>9</sup> Major Project No. 07\_0147.

<sup>10</sup> DA/573/2014, DA/714/2014, DA/307/2015/A.

<sup>11</sup> Development application number DA/1833/2015, DA/1834/2015.

A rezoning application is also being assessed by the Council. The purpose is to support residential development and additional conservation lands on the lot where the proposed recycled water plant is located. The proposal also seeks to permit with consent utility infrastructure in a range of zones to support development and to avoid the need for a rezoning proposal to support necessary utility infrastructure.<sup>12</sup>

### 2.3 Additional information available

Additional information has become available since we completed our assessment of the original licence application in July 2014, namely:

- ▼ On 24 July 2015, Lake Macquarie City Council granted development consent including the water and sewerage reticulation networks to 310 lots (Precinct 2) in North Cooranbong Development under the EP&A Act (DA/307/2015/A).
- ▼ On 27 July 2015, Lake Macquarie City Council approved a designated development proposal for the water recycling facility under the EP&A Act (DA/714/2014).
- ▼ On 6 August 2015, the Minister for Lands and Water granted a licence for the Phase 1 of North Cooranbong development (licence number 15\_033) to Cooranbong Water.
- ▼ In September 2015, we engaged an external consultant to undertake a revised assessment to assess Flow Systems' and Cooranbong Water's financial capacity using information up to 31 August 2015.
- ▼ In November 2015, we conducted searches and verification of Cooranbong Water's related entities and disqualified corporations' tests.
- ▼ We note that the Utility Services Agreement between Hunter Water and Cooranbong Water has not been finalised and signed yet, however we understand that Hunter Water and Cooranbong Water will continue to work on that agreement.<sup>13</sup>

We have used the information provided in the applicant's original licence application and the above additional information to assess the current licence variation.

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<sup>12</sup> Lake Macquarie City Council, Rezoning planning proposal, RZ/3/2014.

<sup>13</sup> Phone conversation between IPART and Hunter Water on 13 October 2015, and letter from Hunter Water to Flow Systems dated 27 October 2015.

### 3 Consultation and submissions

Consultation was undertaken between 25 March 2015 and 29 April 2015 as part of the original assessment process, which included all of the proposed works for the North Cooranbong Development. It included the treatment plant, storage tanks and reticulation networks for drinking water, non-potable water and sewage.

We consider that there is no material change in the risk associated with the proposed variation given that the scope of work issued for consultation has not changed and was larger than what is now proposed under this variation.

We received submissions from the Minister for Lands and Water, NSW Health, NSW Department of Planning and Environment (DPE), NSW Environmental Protection Authority (EPA), Hunter Water and 64 public submissions.<sup>14</sup>

The Minister for Lands and Water advised that depending on the volume of stormwater harvested and the area from which it is harvested, a water access licence may be required.<sup>15</sup> The submission clarifies Cooranbong Water's understanding of the advice provided previously from the NSW Office of Water regarding the volume of stormwater to be harvested and the access licence requirements.<sup>16</sup> The Minister recommended that Cooranbong Water seek further advice from the NSW Office of Water on the volumes proposed to be harvested to ensure that they are within their harvestable right, or otherwise appropriately licensed in accordance with the *Water Sharing Plan of the Hunter Unregulated and Alluvial Water Sources 2009*. This matter was considered and addressed in our previous assessment.

NSW Health supports the application, and has requested consultation during the detailed drinking water and non-potable water risk assessments before retail supply commences to ensure that all relevant public health matters have been considered.<sup>17</sup> NSW Health also requested consultation in the development of incident notification and management procedures. We have guidelines and procedures in place to ensure NSW Health is consulted after a licence is granted, prior to commercial operation.

DPE raised no objections to the application and indicated that it is not aware of any breaches of the EP&A Act by Cooranbong Water in relation to this project.<sup>18</sup> DPE did not provide specific comments in relation to potential environmental risks related to the licence application.

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<sup>14</sup> We received 65 public submissions in the submissions period; one submission was subsequently withdrawn.

<sup>15</sup> Letter from the Minister for Lands and Water, 18 May 2015.

<sup>16</sup> Email from NSW Office of Water to Flow Systems, 11 December 2014.

<sup>17</sup> Letter from NSW Health, 23 April 2015.

<sup>18</sup> Letter from DPE, 27 April 2015.

We received a submission from the EPA regarding the scheme's environmental regulations. The EPA has advised that if the treated effluent from the recycled water treatment plant is being discharged to land or waters, an EPL from the EPA would be required in accordance with the POEO Act. This matter was considered and addressed in our previous assessment and is not applicable to the scope of this variation assessment.

Hunter Water advised that it supports the application, and clarified technical and commercial parameters of the proposed working and contractual relationship between Hunter Water and Flow Systems.<sup>19</sup>

We received 64 submissions from Cooranbong residents expressing concerns and objections regarding the project.<sup>20</sup> The submissions expressed concerns and objections regarding the location of the recycled water treatment plant, water resources management, environmental impacts of the recycled water treatment plant, impacts on property values, traffic impacts and monopoly supply. There were no additional issues raised in relation to the scope of this variation and therefore we consider that the issues were addressed in our previous assessment and presented in our Report to the Minister for Phase 1.

In addition to inviting submissions, we previously sought expert advice from:

- ▼ the NSW Self Insurance Corporation (SICorp) to inform our assessment of appropriate insurance arrangements (see section 4.4).

For this licence variation assessment, we sought expert advice from:

- ▼ Vincents Chartered Accountants to inform our financial assessment (see section 4.2.2).

## 4 Assessment of application

This section of the report contains our assessment of Cooranbong Water's licence variation application and our recommendations. Our assessment considers each of the following requirements of the WIC Act:

- ▼ A licence variation must not be granted to:
  - a disqualified corporation, or
  - a corporation that is a related entity of a relevant<sup>21</sup> disqualified corporation.

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<sup>19</sup> Letter from Hunter Water, 23 April 2015. Confirmed in a phone conversation with Brett Lewis, Manager Developer Services, Hunter Water in 13 October 2015 and in a letter from Hunter Water to Flow Systems dated 27 October 2015.

<sup>20</sup> We received submissions from the public from 15 April to 29 April 2015.

<sup>21</sup> Where the disqualified corporation would have a direct or indirect interest in, or influence on, the carrying out of the activities that the licence would authorise if granted. WIC Act, section 10(3)(b).

- ▼ A licence variation may not be granted unless the Minister is satisfied as to each of the following:
  - that the applicant has, and will continue to have, the capacity (including technical, financial and organisational capacity) to carry out the activities that the licence (if granted) would authorise
  - that the applicant has the capacity to carry out those activities in a manner that does not present a risk to public health
  - that the applicant has made, and will continue to maintain, appropriate arrangements with respect to insurance
  - in the case of an application for a licence to supply water, that, if such a licence is granted, sufficient quantities of the water supplied by the licensee will have been obtained otherwise than from a public water utility
  - that the applicant has the capacity to carry out the activities that the licence (if granted) would authorise in a manner that does not present a significant risk of harm to the environment, and
  - such other matters as the Minister considers relevant, having regard to the public interest.<sup>22</sup>
  
- ▼ In considering whether or not a licence variation is to be granted, and what conditions are to be imposed on such a licence, regard is to be had to the following principles:
  - the protection of public health, the environment, public safety and consumers generally
  - the encouragement of competition in the supply of water and the provision of sewerage services
  - the ensuring of sustainability of water resources
  - the promotion of production and use of recycled water
  - the promotion of policies set out in any prescribed water policy document
  - the potential for adverse financial implications for small retail customers generally arising from the activities proposed to be covered by the licence, and
  - the promotion of the equitable sharing among participants in the drinking water market of the costs of water industry infrastructure that significantly contributes to water security.<sup>23</sup>

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<sup>22</sup> WIC Act, sections 10(3) and (4), and WIC Regulation, clause 7.

<sup>23</sup> WIC Act, section 7.

## 4.1 Disqualified corporation and related entity checks

**We consider that Cooranbong Water is neither a disqualified corporation nor a corporation that is a related entity of a relevant disqualified corporation.**

In making this conclusion, we have considered the following information:

- ▼ A statutory declaration signed by Cooranbong Water's Chief Executive Officer and a Director stating that:
  - neither Cooranbong Water, nor any director or person concerned in the management of Cooranbong Water is, or would be, a disqualified corporation or a disqualified individual within the meaning of the WIC Act, and
  - Cooranbong Water is not a related entity of a disqualified corporation that would have a direct or indirect interest in, or influence on, the carrying out of activities that the licence would authorise if granted.
- ▼ Information provided by Cooranbong Water regarding details of the:
  - trustees (past and current) of any trusts in relation to which Cooranbong Water is a beneficiary
  - current beneficiaries of any trusts in relation to which Cooranbong Water is a trustee
  - relevant related entities,<sup>24</sup> and
  - names of the Chief Financial Officer and Chief Executive Officer for Cooranbong Water and each of Cooranbong Water's relevant related entities.
- ▼ Results of ASIC and Dun & Bradstreet reports that we have obtained for Cooranbong Water, and for the 11 relevant related entities, confirmed that these companies are not disqualified nor are their directors or persons concerned in the management disqualified individuals.<sup>25</sup>
- ▼ Results of our search of the WIC Act licence database,<sup>26</sup> confirming in part the above.

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<sup>24</sup> Cooranbong Water identified the following relevant related entities: BPIH Pty Limited ACN 100364234, Enwave Australia Pty Limited ACN 133427022, Brookfield Water Holdings Pty Limited ACN 162523533, Flow Systems Pty Limited ACN 136272298, Huntlee Water Pty Limited ACN 167418608, Central Park Water Pty Limited ACN 151072838, Discovery Point Water Pty Limited ACN 142392541, Green Square Water Pty Limited ACN 163432906, Pitt Town Water Pty Limited ACN 141705660, Wye Water Pty Limited ACN 160953775 and Flow Systems Operations Pty Ltd ACN 603106305.

<sup>25</sup> The relevant searches were completed between 5 and 6 November 2015.

<sup>26</sup> There are currently no disqualified corporations or individuals on the register pursuant to the WIC Act, sections 16(e) and 16(f).

## 4.2 Capacity (including technical, financial and organisational capacity) to carry out the activities

Cooranbong Water has applied for a variation to its existing licence so that it can service 310 additional lots at the North Cooranbong Development. The proposed works include the construction, operation and maintenance of reticulation networks for drinking water, non-potable water and sewerage services for a further 310 residential lots within the development boundaries.

We assessed Cooranbong Water's technical, financial and organisational capacity to carry out activities to be licensed. Our assessment was based on Cooranbong Water's capacity at the time of making the application.

### 4.2.1 Technical capacity

**We are satisfied that Cooranbong Water, supported by Flow Systems, has the technical capacity to construct, operate and maintain water industry infrastructure to service 310 additional lots in the North Cooranbong Development.**

Cooranbong Water relies on the full support of Flow Systems to provide technical capacity. Our analysis included a review of Cooranbong Water's:

- ▼ Corporate Services Agreement dated 23 March 2015 between Cooranbong Water and Flow Systems. The Agreement is a binding agreement for the provision of services by Flow Systems to Cooranbong Water.
- ▼ Reports, plans and procedures that Flow Systems prepared for similar projects (eg, Pitt Town, Discovery Point and Central Park). These documents demonstrated its technical understanding of design, operation and maintenance of relevant infrastructure.
- ▼ The audit reports for the licence plans audits carried out for Discovery Point, Central Park, and the Pitt Town operational audit report. The audit reports did not identify any significant non-compliance, which demonstrates Flow Systems' capacity to safely and reliably design, construct, operate and maintain water industry infrastructure.
- ▼ Process flow diagrams for relevant infrastructure (including staged, interim and permanent development).
- ▼ Cooranbong Water's preliminary risk assessment for the drinking water, non-potable water and sewerage services. This demonstrates Cooranbong Water's technical capacity to identify hazards and risks related to the scheme's drinking water, non-potable water and sewerage infrastructure and Cooranbong Water's business systems, and to develop control measures to manage these risks.

- ▼ Proposed drinking water, non-potable water and pressure sewer reticulation masterplans. These demonstrate Cooranbong Water's technical capacity, as supported by Flow Systems, to design staged reticulation networks in accordance with the future project demands and stage requirements.
- ▼ Flow Systems' previous technical experience (within Australia), which we assessed by reviewing schemes which are currently being operated by Flow Systems. We consider Flow Systems' previous technical experience is appropriate to provide sufficient technical capacity to Cooranbong Water.
- ▼ Flow Systems' human resources capability, which we assessed from the position descriptions and professional experience of specific personnel nominated to the project in the application. We consider the personnel and positions nominated by Flow Systems are appropriate to provide technical capacity to Cooranbong Water.

We received the following submissions regarding Cooranbong Water's technical capacity relevant to the addition of further residential lots in the North Cooranbong Development:

**Hunter Water** supports the original application and is finalising a 'Utility Services Agreement' with Flow Systems which will outline technical and commercial parameters.<sup>27</sup> In relation to the interim sewer point of connection for the development, Hunter Water has indicated that it has agreed with the land developer (JPG) that prior to Cooranbong Water gaining permission to commence commercial operation and the recycled water treatment plant becoming operational, to allow connection of a maximum of 156 lots to Hunter Water's sewer network.<sup>28</sup> Hunter Water has indicated that it will review whether there is any further opportunity to extend the interim arrangement for the 156 lots beyond August 2016, and Cooranbong Water will make arrangements for the local storage and road transport (via tanker) of untreated sewage to an appropriately licenced treatment facility if the interim sewer arrangement is not continued.<sup>29</sup>

This licence variation, if approved, will bring the total number of lots serviced to 391 lots. This is more than the 156 lots determined acceptable by Hunter Water. We understand that the limit of 156 lots determined by Hunter Water was based on a peak sewer discharge rate of 4.0 litres per second from the pressure sewer network. The peak sewer discharge rate can be reduced by local storage, at both the household level (at each storage pod) and at the treatment plant site (with balance tanks). Road tankering of untreated sewage, as suggested by Hunter Water, is also an option. At the projected capacity of 391 lots, this would equate to two to three tankers per day for the excess recycled water and the local road

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<sup>27</sup> Letter from Hunter Water, 24 February 2015. Hunter Water confirmed the Utility Services Agreement is still in progress in a phone conversation with Brett Lewis, Manager Developer Services, Hunter Water on 13 October 2015. Also confirmed in a letter dated 27 October 2015 from Hunter Water to Flow Systems.

<sup>28</sup> Email to IPART, Mr Peter Shields, Regulatory Manager, Hunter Water, 5 June 2015.

<sup>29</sup> Letter from Hunter Water to Flow Systems, 27 October 2015.

infrastructure should be able to accommodate this traffic. Cooranbong Water's existing licence authorises it to construct storage at the proposed recycled water treatment plant site and it has control of the operation of the pressure sewerage system. We consider that this issue does not affect Cooranbong Water's technical capacity. Future expansion of the system will be subject to further assessment as part of future licence variation applications.

Cooranbong Water demonstrates that it has the technical capacity to have its licence varied to include an additional 310 lots at North Cooranbong Development, subject to Flow Systems being specified as an authorised person in the licence.

We recommend a change to Cooranbong Water's licensed area of operations to include the additional 310 lots in Table 1.4B, 2.4 and 3.4B of the draft licence. Flow Systems has already been named as an authorised person in Tables 1.1, 2.1 and 3.1 in schedule A of the current licence. Special condition A4.1 and the standard ministerially-imposed conditions in schedule B of the licence should continue to apply.

#### **4.2.2 Financial capacity**

**We are satisfied that Cooranbong Water, supported by Flow Systems, has the financial capacity to construct, operate and maintain water industry infrastructure to service 310 additional lots in the North Cooranbong Development.**

In making our assessment of Cooranbong Water's financial capacity we have considered the following information:

- ▼ Flow Systems' profit and loss statements
- ▼ Flow Systems' balance sheets
- ▼ Flow Systems' income tax returns
- ▼ Flow Systems' key financial ratios
- ▼ Cooranbong Water's projected cash flows (2014 – 2018)
- ▼ Cooranbong Water's projected cash flows (2019 – 2030)
- ▼ Cooranbong Water's projected profit and loss
- ▼ Cooranbong Water's projected balance sheets, and
- ▼ Deed of Guarantee and Indemnity (the Deed) and the Corporate Services Agreement (CSA) between Cooranbong Water and Flow Systems.

We engaged an external consultant, Vincents Chartered Accountants (Vincents), to assess the financial capacity of the applicant. Since Cooranbong Water is a newly formed subsidiary of Flow Systems, we asked Vincents to review both companies. Vincents was satisfied that Cooranbong Water and Flow Systems adequately demonstrated their ongoing financial capacity to carry out the activities that the licence variation would authorise (if granted).

The Deed provides a financial guarantee for the subsidiary company, whilst the CSA provides the contractual arrangements between parent and subsidiary regarding the provision of services necessary to complete the works. The Deed has no cap on liability and no sunset date. Flow Systems will ensure that Cooranbong Water will perform and observe the guaranteed obligations necessary to meet any claim during the term and, if required, Flow Systems will perform or observe any guaranteed obligation or otherwise procure its performance.

In terms of financial capacity, Vincents reported that Flow Systems has a low to medium risk of financial failure. In terms of financial viability of the project, Vincents considered the project operations will be cash flow positive from its commencement and until at least the year 2030. Based on its assessment, Vincents considers that Cooranbong Water does not require any special licence conditions relating to financial capacity.<sup>30</sup>

We would like to emphasise that our financial assessment represents the applicant's financial capacity at a point in time. Our recommendation to grant Cooranbong Water a licence variation should not be viewed as an endorsement of the future ongoing viability of the corporation. The assessment is based on a combination of information sources, none of which is to be regarded as individually determinative. This assessment is done for our own purposes and for the Minister's purposes in assessing the application. The conclusion is not to be relied upon for any other purpose by any other person.

We note that Vincents' assessment was made on the basis that the insurance policies obtained by the applicant are adequate for its proposed operations. We consider that the insurance arrangements are adequate (see section 4.4 for our assessment of insurance).

We reviewed the Deed and consider that it is adequate to provide a continuing guarantee and indemnity for all liabilities incurred by Cooranbong Water in carrying out the obligations under the scheme.

For the original licence application, we received no submissions regarding Cooranbong Water's financial capacity.

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<sup>30</sup> Vincents Chartered Accountants. *Forensic Accountant's Report in the matter of Water Industry Competition Act Financial Capacity Review in respect to the applicants Flow Systems Pty Ltd and Cooranbong Water Pty Ltd*, 9 November 2015, p 9.

We consider that the information submitted by Cooranbong Water demonstrates that it has the financial capacity to construct, operate and maintain water industry infrastructure.

We recommend a change to Cooranbong Water's licensed area of operations to include the additional 310 lots in Table 1.4B, 2.4 and 3.4B of the draft licence. Flow Systems has been named as an Authorised Person in Tables 1.1, 2.1, and 3.1 in schedule A of the draft licence. Special condition A4.1 and the standard ministerially-imposed conditions in schedule B of the licence should continue to apply.

#### **4.2.3 Organisational capacity**

**We are satisfied that Cooranbong Water, supported by Flow Systems, has the organisational capacity to construct, operate and maintain water industry infrastructure to service 310 additional lots in the North Cooranbong Development.**

Our analysis showed that, through its relationship with Flow Systems, Cooranbong Water demonstrated its organisational capacity to construct, maintain and operate water industry infrastructure at the North Cooranbong Development by:

- ▼ providing evidence of its experience in providing similar services to other schemes, including Pitt Town, Central Park and Discovery Point
- ▼ having an appropriate organisational structure to manage its nominated third parties to deliver the proposed work based on their contractual arrangements and agreements
- ▼ outlining the experience of the relevant management personnel, which matched that of the role descriptions
- ▼ having previous experience within Australia in the water industry and specific personnel nominated to the project, as shown by the CVs of its key personnel provided to us in its application
- ▼ showing evidence of its capacity to negotiate utility service agreements with network operators, through its correspondence with Hunter Water, and
- ▼ having demonstrated that business risks have been identified and will be managed, through the risk assessment provided to us in its application.

As a subsidiary of Flow Systems, Cooranbong Water relies on its parent company for business support. The CSA and the Deed demonstrated continued organisational support from Flow Systems.

For the original licence application, we received no submissions regarding Cooranbong Water's organisational capacity.

We consider that the information submitted by Cooranbong Water demonstrates that it has the organisational capacity to construct, operate and maintain water industry infrastructure.

We recommend a change to Cooranbong Water's licensed area of operations to include the additional 310 lots in Table 1.4B, 2.4 and 3.4B of the draft licence. Flow Systems has been named as an Authorised Person in Tables 1.1, 2.1 and 3.1 in schedule A of the draft licence. Special condition A4.1 and the standard ministerially-imposed conditions in schedule B of the licence should continue to apply.

### **4.3 Capacity to carry out those activities in a manner that does not present a risk to public health**

**We are satisfied that Cooranbong Water has the capacity to construct, operate and maintain water industry infrastructure to service 310 additional lots in the North Cooranbong Development, in a manner that does not present a risk to public health.**

We assessed Cooranbong Water's capacity to manage the following key risks to public health, posed by constructing, operating and maintaining water industry infrastructure in the phase 2 of North Cooranbong Development:

- ▼ **Source water quality:** Cooranbong Water will source drinking water from Hunter Water. We understand that drinking water quality will be consistent with the *Australian Drinking Water Guidelines 2006*, and non-potable water would be consistent with the *Australian Guidelines for Water Recycling 2006*. As the retail supplier for the North Cooranbong Development, Flow Systems has a water quality complaints procedure that includes a 24 hour emergency number for water quality (drinking and non-potable water) incidents and concerns. The procedure includes notification of Cooranbong Water as the network operator.
- ▼ **Water supply interruption:** Interruptions in supply of drinking water or non-potable water could pose a risk to public health. Cooranbong Water will establish a Utility Services Agreement with Hunter Water to define communication protocols, pressure monitoring and drinking water storage to minimise interruptions on supply of drinking water to final customers. Cooranbong Water proposes to provide tankered or bottled drinking water if required in an emergency. With an expected number of customers in the order of 1,200 people and an emergency daily consumption rate of 10L per person per day, this would equate to 1 tanker per day which would not be constrained by the local road infrastructure.

- ▼ **Provide non-potable water quality fit for purpose:** Cooranbong Water has demonstrated its capacity to treat and provide non-potable water to an appropriate quality level given proposed specific uses. Cooranbong Water will source sewage collected within the North Cooranbong Development and intend to top-up the system with drinking water and stormwater. We consider Cooranbong Water's proposed sewage treatment and recycled water treatment systems to be robust and consistent with the requirements of the *Australian Guidelines for Recycling Water 2006*.
- ▼ **Potential for inappropriate water use:** Cooranbong Water will supply non-potable water to Flow Systems, who will then retail to customers at the North Cooranbong Development. This could present a risk to public health if customers do not use non-potable water for the appropriate purposes. Cooranbong Water has indicated that customers will be provided with guidance on appropriate use of non-potable water by Flow Systems. We consider this is the responsibility of the retailer, and have previously reviewed Flow Systems application for a variation to its retail supplier's licence to include the North Cooranbong Development. We determined that Flow Systems had demonstrated its capacity to mitigate the risk of inappropriate end use through its guidance to customers on its existing non-potable water schemes.
- ▼ **Potential for cross connections:** Cooranbong Water has indicated technical controls to ensure the risks of cross connections are minimised. Such controls include lower pressure in the recycled water network relative to the drinking water distribution network, network pressure monitoring, colour coded and labelled pipes and marker tape in the recycled water distribution network. Further, Cooranbong Water proposes to conduct quality assurance inspections to non-potable water connections prior to commercial operation and will follow a specific notification protocol in case of possible cross connection incidents.
- ▼ **Sewerage service interruption:** Cooranbong Water has demonstrated its capacity to mitigate this risk through its risk management assessment and sewerage plans. Cooranbong Water has indicated that should an interruption to sewerage services occur, sewage would be removed by tankers for small scale interruptions or other alternatives would be established in the USA with Hunter Water.

We reviewed Cooranbong Water's preliminary risk assessment and we consider that Cooranbong Water has demonstrated its capacity to identify and manage hazards and risks of the drinking water, recycled water and sewage components of the proposed scheme, to acceptable levels of risk, and will have in place reasonable control and mitigation measures.

NSW Health supports the application to vary the licence and did not identify any specific issues in regard to Cooranbong Water's capacity to protect public health.<sup>31</sup> NSW Health has requested that it is consulted during the detailed drinking water and non-potable water risk assessments, which must be completed before retail supply commences, to ensure that all relevant public health matters have been considered. NSW Health also requested that it is consulted by Cooranbong Water in the development of incident notification and management procedures.

Our current practices will ensure NSW Health is consulted at various stages throughout the development and auditing of the licence's management plans.

The *Water Industry Competition (General) Regulation 2008* (WIC Regulation) requires audit plans for 'greenfield schemes' to be submitted to us prior to commercial operation.

We consider that the information submitted by Cooranbong demonstrates that it has the capacity to construct, operate and maintain water industry infrastructure, in a manner that does not present a risk to public health.

We recommend a change to Cooranbong Water's licensed area of operations to include the additional 310 lots in Table 1.4B, 2.4 and 3.4B of the draft licence. The relevant licence conditions are B1, B4, B6 and B8 in Schedule B of the current licence.

#### **4.4 Appropriate arrangements with respect to insurance**

**We are satisfied that Cooranbong Water has made, and will continue to maintain, appropriate insurance arrangements for the 310 additional lots in the North Cooranbong Development.**

In making our assessment of Cooranbong Water's insurance arrangements, we have considered Cooranbong Water's:

- ▼ Combined Business Liability Insurance, including Public Liability, Products Liability and Professional Indemnity (Financial Loss arising from a Wrongful Act) insurance policy.
- ▼ Workers Compensation insurance policy.
- ▼ Risk management assessment and control plan.

We note that Flow Systems also holds other insurances including industrial special risks insurance and forefront portfolio insurance.

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<sup>31</sup> NSW Health, letter to IPART dated 23 April 2015.

For the previous network operator's licence assessment, we requested advice from the SICorp on the appropriateness of Cooranbong Water's insurance arrangements, with respect to the activities originally requested to be licensed (ie, comprising both Phases 1 and 2 in the North Cooranbong development).

As part of the review, SICorp examined Cooranbong Water's proposed scope of work (ie, whole North Cooranbong Development), the risk assessment, insurance coverage in the areas of professional indemnity, public liability and product liability, as shown in the applicant's insurance certificates. SICorp also reviewed the product disclosure statements for each insurance certificate, and examined the financial rating of the various underwriters providing the insurance.

For this licence variation assessment, we verified that the insurances and other relevant documents reviewed by SICorp have not expired.

SICorp found the insurances held by Cooranbong Water to be adequate for the purposes of its network operator's licence application (ie, whole development).<sup>32</sup>

We received no submission regarding Cooranbong Water's insurance arrangements.

We consider that the information submitted by Cooranbong Water demonstrates that it has made, and will continue to maintain, appropriate insurance arrangements.

We recommend a change to Cooranbong Water's licensed area of operations to include the additional 310 lots in Table 1.4B, 2.4 and 3.4B of the draft licence. The relevant licence conditions are B2, B3 and B6 in schedule B of the existing licence.

#### **4.5 Capacity to carry out those activities in a manner that does not present a significant risk of harm to the environment**

**We are satisfied that Cooranbong Water has the capacity to construct, operate and maintain water industry infrastructure to service 310 additional lots in the North Cooranbong Development, in a manner that does not present a significant risk of harm to the environment.**

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<sup>32</sup> Email to IPART, Insurance and Reinsurance Strategy Manager, NSW Self Insurance Corporation, 2 June 2015.

In making our assessment of Cooranbong Water's capacity to manage key risks to the environment posed by the construction, operation and maintenance of water industry infrastructure to service the North Cooranbong Development, we have considered Cooranbong Water's:

- ▼ **Capacity to comply with environmental regulations on existing schemes:** Cooranbong Water in conjunction with Flow Systems has demonstrated capacity to comply with environmental regulations, through their previous experience (within Australia) in preparing environmental assessment and implementing mitigation measures for the construction and operation of drinking and recycled water treatment and reticulation infrastructure.
- ▼ **Understanding of environmental regulations in NSW:** Cooranbong Water has demonstrated understanding of regulatory approval requirements, as confirmed by our own assessment. The developer obtained approval under Part 3A of the EP&A Act and development consent under Part 4 of the EP&A Act for the proposed variation in area of operations.
- ▼ We received a submission from the EPA regarding the scheme's environmental regulations. The EPA has advised that if the treated effluent from the recycled water treatment plant is being discharged to land or waters, an EPL from the EPA would be required in accordance with the POEO Act.<sup>33</sup> Cooranbong Water in its licence application form, stated that its intended full usage of the recycled water means that it doesn't anticipate that it will need to discharge any recycled water to land or waters. However, if all the proposed long term options for use of recycled water are exhausted and there still remains excess recycled water, an environment protection licence will be sought.

The North Cooranbong Development has been through other relevant regulatory processes, including getting development consent under Part 4 of the EP&A Act and concept approval under Part 3A of the EP&A Act.

- ▼ **Capacity to implement environmental management processes in relation to the activities to be licensed:** Cooranbong Water has demonstrated its capacity to implement environmental management processes, through its site-specific environmental risk assessment and impact assessment.

We also reviewed the following reports submitted by Cooranbong Water:

- ▼ Review of Environmental Factors for works proposed for the construction, operation and maintenance of sewage and recycled water reticulation systems for the North Cooranbong Development.
- ▼ Land Capability Assessment for Cooranbong's Water recycled water management scheme at North Cooranbong Development. It considered the site and soil characteristics to assess the suitability of surface irrigation throughout the site.

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<sup>33</sup> Letter to IPART from NSW EPA, 7 May 2015.

- ▼ Staging Assessment for Recycled Water Management Scheme prepared for the North Cooranbong Development to assess the site's capacity to sustainably accommodate recycled water that is not reused by residential developments once the proposed recycled water treatment is commissioned and operational.
- ▼ Water Balance Report analysed the water demands (drinking and non-potable), water (and sewage) production, monthly variation of recycled water system performance, storage necessary (eg, top-up and non-potable water demand volumes) and management of excess recycled water.

We present our assessment of the reports above in section 4.6.2 of this report.

We consider that the information submitted by Cooranbong Water demonstrates that it has the capacity to carry out the construction, operation and maintenance of water industry infrastructure, in a manner that does not present a significant risk of harm to the environment for the additional 310 lots.

We consider that Cooranbong Water should not be subject to any licence conditions in relation to its capacity not to present a significant risk of harm to the environment, if a licence variation is granted.

## **4.6 Licensing principles**

We have had regard to each of following licensing principles in making a recommendation as to whether or not the application to vary Cooranbong Water's network operator's licence should be granted, and if so, what conditions to impose.

### **4.6.1 Protection of public health**

We have had regard to protection of public health through our assessment of Cooranbong Water's capacity to construct, operate and maintain water industry infrastructure identified to service 310 additional lots in the North Cooranbong Development in a manner that does not present a risk to public health. As outlined in section 4.3 of this report, we assessed Cooranbong Water's capacity to manage the key risks posed to public health by the activities to be licensed.

NSW Health supported the application to grant Cooranbong Water's licence (ie, whole development) and did not identify any specific risks to public health.<sup>34</sup>

If the Minister grants the request to vary Cooranbong Water's network operator's licence, we consider that public health will be protected in relation to the activities licensed.

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<sup>34</sup> Letter from NSW Health, 23 April 2015.

#### 4.6.2 Protection of the environment

In having regard to protection of the environment, we considered the approvals obtained/required under the EP&A Act for the construction, operation and maintenance of water industry infrastructure to service the North Cooranbong Development. The EP&A Act is the central legislation that controls planning and development in NSW.

We understand that all of the following activities to be licensed under this variation have obtained approvals under the EP&A Act:

- ▼ Phase 1: Development consent under Part 4 of the EP&A Act from Lake Macquarie City Council for the 81 lots subdivision (DA/573/2014) in Stages 1E, 1F, 1H and 1G.
- ▼ Phase 1: Designated development consent under Part 4 of the EP&A Act from Lake Macquarie City Council for the installation of a recycled water treatment plant (DA/714/2014) on Lot 12 DP 1158508 and Lot 212 DP 1037011.
- ▼ Phase 2: Development consent under Part 4 of the EP&A Act from Lake Macquarie City Council for the 310 lots subdivision (DA/307/2015/A) in Precinct 2 North Cooranbong.

This was confirmed by the Notice of Determinations published on Lake Macquarie Council's application tracking website.<sup>35</sup>

We understand that the remaining North Cooranbong Development area has not obtained approvals under the EP&A Act. Two development applications are currently being assessed by the Lake Macquarie City Council for future stages of development within the North Cooranbong Development area. This is outside of the scope of this licence variation assessment.

In having regard to protection of the environment, we also considered the following information:

- ▼ **Cooranbong Water's Review of Environmental Factors (REF)** assessed the environmental impacts of the construction, operation and maintenance of the sewage and recycled water reticulation networks. The REF concluded that the proposal is unlikely to significantly affect the environment.

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<sup>35</sup> <http://www.lakemac.com.au/development/track>, accessed by IPART on 16 November 2015.

- ▼ **Cooranbong Water's risks register** for the North Cooranbong Development. As part of the risk assessment, it identified environmental related risks and specific control and mitigation measures for the construction, operation and maintenance of the water industry infrastructure required to service the development from catchment to customers. In particular, relevance to the licence variation to expand the reticulation networks to include an additional 310 lots, breakage or blockage of sewage collection system and recycled water mains were identified to have potentially contamination the local environment and downstream water. Proposed controls included pressure monitoring of the network for early alert of leaks, pre-qualified licensed contractor responsible for maintenance, incident response plan, customer updates via SMS and up to date registration of drawings on Dial Before You Dig database. Cooranbong Water considered the residual risks acceptable for the proposed scheme. We will audit the adequacy of these controls as captured in the licence plans prior to Cooranbong Water commencing commercial operation of the scheme.
- ▼ **Land Capability Assessment** considered the site and soil characteristics to assess the suitability of surface irrigation throughout the site. Cooranbong Water proposes to use the excess recycled water to irrigate the undeveloped land associated with later development stages, in recycled water irrigation zones. The report recommended a design irrigation rate of 3mm/day for all recycled water irrigation zones. The report concluded that surface irrigation is generally appropriate on identified land throughout the North Cooranbong Development site.
- ▼ **Staging Assessment for Recycled Water Management Scheme** assessed the North Cooranbong Development site's capacity to manage in a sustainable manner the excess recycled water once the proposed recycled water treatment is commissioned and operational. The Land Capability Assessment was an input to this study. The assessment demonstrated that hydraulic load is the limiting factor across the site. An off-site recycled water reuse option would be required once maximum subdivision development potential has been reached. If the four currently partially-forested stages are not used for recycled water irrigation, then the maximum capacity of the site to sustain irrigation of recycled water would be reached once stage 8 of the development is built out. Approximately 1,500 lots would be developed by the completion of stage 8. The report concluded that nutrient loads in the recycled water will have no appreciable impact on the environment. It recommended that a plan for the sustainable and permanent usage of recycled water generated by stages 9 to 12 must be finalised prior to the build-out of stage 8 and prior to the construction of stages 9 to 12.

- ▼ **Water Balance Report** analysed the water demands (drinking and non-potable), water (and sewage) production, monthly variation of recycled water system performance and storage necessary (eg, top-up and non-potable water demand volumes). It included projected volumes of excess recycled water produced and areas of land required for irrigation in each stage of the North Cooranbong Development. It identified that at the full build out of the development, 145 kL/day of recycled water will be in excess which could be used for irrigation or offsite use outside of the development. It suggested that approximately 5 ha of additional land will be required to fully utilise the excess recycled water in 2034-35. The forecasted completion of the development assumed in the report is 2035. The report did not provide a clear conclusion for the sensitivity analysis undertaken for wet years versus dry years, and for different water efficiency settings of water fixtures and appliances.
- ▼ **Notice of Determinations** was issued to the developer once the Council approved the development application. Provision of utility services is an essential component to support the subdivision of lots. Some of the reasons for Council to impose conditions are to ensure provision of utility services and the protection of the environment. We understand that Lake Macquarie City Council imposed a limit of operations in the Notice of Determination for the recycled water treatment plant as part of its condition of consent:

Direct land irrigation of treated effluent produced by the approved utility installation the subject of this consent shall not occur. All excess treated effluent produced by the utility installation and not reused by domestic customers, shall be disposed of via an approved reticulation system.<sup>36</sup>

Our previous assessment did not consider treated effluent for irrigation as it was not within the scope of Cooranbong Water's Phase 1 licence application. From the information available, we consider that excess non-potable water for irrigation is an appropriate end-use. Impact on the environment could be managed with appropriate mitigation measures.

- ▼ **Submissions made in relation to the protection of the environment:**

The EPA has advised that if the treated effluent from the recycled water treatment plant is being discharged to land or waters, and EPL from the EPA would be required. Cooranbong Water in its licence application, stated that its intended full usage of the recycled water means that it does not anticipate that it will need to discharge any recycled water (ie, treated effluent) to land or waters. However, if all the proposed long term options for use of recycled water are exhausted and there still remains excess recycled water, an environment protection licence will be sought.

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<sup>36</sup> Lake Macquarie City Council, Notice of Determination, DA/714/2015, Condition 32, 29 July 2015.

We consider that Cooranbong Water has demonstrated sufficient capacity to operate water industry infrastructure in a manner that does not present a significant risk of harm to the environment for works required as proposed in the licence variation.

We consider that Cooranbong Water should not be subject to any additional licence conditions in relation to protection of the environment, if a licence is granted. The existing licence conditions should continue to apply.

#### **4.6.3 Protection of public safety**

We have had regard to the protection of public safety through our assessment of Cooranbong Water's technical capacity to construct, operate and maintain water industry infrastructure as described in this report. As outlined in section 4.2.1 of this report, we assessed Cooranbong Water's capacity to manage key risks to public safety by the activities to be added to the license.

We received submissions from local residents regarding the protection of public safety. These matters were assessed and addressed as part of our previous assessment.

If the Minister grants the variation to the network operator's licence to Cooranbong Water, we consider that public safety will be protected in relation to the activities licensed.

#### **4.6.4 Protection of consumers generally**

We have had regard to the protection of consumers through our assessment of Cooranbong Water's technical capacity to construct, operate and maintain water industry infrastructure as described in this report. As outlined in section 4.2.1 of this report and our Flow Systems' retail supplier report for the North Cooranbong Development licence, we assessed Cooranbong Water's capacity to protect consumers through the expertise supplied by Flow Systems. Flow Systems is the parent company of Cooranbong Water, who has the technical experience constructing, operating and maintaining similar schemes.

If the Minister approves this licence variation, we consider that consumers generally will continue to be protected in relation to the activities licensed.

#### **4.6.5 Encouragement of competition**

Historically, Hunter Water has provided monopoly water supply and sewerage services in the Newcastle and Hunter regions. The existing licence enables a new entity to supply water and provide sewerage services to the North Cooranbong Development, thus encouraging competition in the provision of these services. This licence variation would allow the licensee to provide services to a larger area and customer base. This is consistent with the long title of the WIC Act.

#### **4.6.6 Ensuring sustainability of water resources**

Cooranbong Water will supply non-potable water to its customers at the North Cooranbong Development. This water will be sourced from treated sewage which would have otherwise been treated and discharged into the environment. The supply of non-potable water also replaces the use of drinking water, contributing to the sustainability of the water resources from where the drinking water is sourced.

#### **4.6.7 Promotion of production and use of recycled water**

Cooranbong Water will provide non-potable water, including recycled water, to its customers at the North Cooranbong Development. Through its website and other marketing material, Cooranbong Water has also committed to promoting the use of non-potable water as a substitute for potable water.

#### **4.6.8 Promotion of policies set out in any prescribed water policy document**

The Metropolitan Water Plan (MWP) is the only prescribed water policy document in the WIC Regulation. It does not apply to the North Cooranbong Development.

However, the NSW Government's Lower Hunter Water Plan is in place, and it is a package of water supply and demand management measures to ensure the region can withstand extreme drought. Although this is not a prescribed water policy document, we considered whether Cooranbong Water's provision of services at North Cooranbong Development is consistent with the document.

The Lower Hunter Water Plan includes actions to supply, save and substitute water. Cooranbong Water's supply of drinking water, non-potable water (including recycled water) and sewerage services at the North Cooranbong Development is consistent with this Plan.

#### **4.6.9 Potential for adverse financial implications for small retail customers**

This principle applies to retail supplier's licence applications. It was considered in our previous assessment of Flow System's application to vary its retail supplier's licence to include the North Cooranbong Development.

#### **4.6.10 Promotion of equitable sharing of the costs of water industry infrastructure that significantly contributes to water security**

Cooranbong Water will source drinking water from Hunter Water. The price that Cooranbong Water will pay Hunter Water should incorporate a share of the cost of any infrastructure that significantly contributes to water security in the lower Hunter region.

### **4.7 Public interest considerations**

We did not identify any additional matters with regard to the public interest in relation to Cooranbong Water to construct, operate and maintain water industry infrastructure to service 310 additional lots in the North Cooranbong Development.

We consider that Cooranbong Water should not be subject to any licence conditions in relation to public interest, if a licence variation is granted.

### **4.8 Additional matters considered**

In addition to assessing the application against the licensing criteria and principles of the WIC Act, we also considered whether the applicant's services should be subject to price regulation, at this time.

#### **4.8.1 Monopoly supply and price regulation**

**We recommend that the Minister does not declare Cooranbong Water to be a monopoly supplier in relation to the construction, maintenance and operation of water industry infrastructure at the North Cooranbong Development.**

**Should the Minister declare any monopoly services at North Cooranbong Development, we recommend that the Minister does not refer these services to IPART for a determination of pricing or a periodic review of pricing policies at this time.**

The Minister *may* declare a licensed retail supplier or licensed network operator to be a monopoly supplier in relation to a specified water supply or sewerage service in a specified area to a specified class of customers.<sup>37</sup>

The Minister can declare a monopoly supplier at any time. This declaration does not have to link to the grant or variation of a licence or a change in licence conditions. If the Minister declares a monopoly supplier, the Minister may then refer the monopoly services to IPART for price regulation.<sup>38</sup>

A monopoly declaration may only be made in relation to a service, if the Minister is satisfied that it is a service:

- ▼ for which there are no other suppliers to provide competition in the part of the market concerned
- ▼ for which there is no contestable market by potential suppliers in the short term in that part of the market, and
- ▼ in the case of a water supply service for recycled water, that connection of land to that service is required by or under some other Act.<sup>39</sup>

We have considered the market for each of the services within the North Cooranbong Development (the specified area) for all classes of customer. Cooranbong Water will construct, operate and maintain water industry infrastructure to supply drinking water, non-potable water and sewerage services. We consider that these could be considered monopoly services.

We note that, in its application, Cooranbong Water has indicated that it would match the price of its drinking water supply and sewerage services to Hunter Water's prices. It also has indicated that its non-potable water prices will be less than its drinking water prices. We consider this to be reasonable and, at this time, we recommend that the network operator not be declared a monopoly supplier in relation to a water supply, or sewerage service, nor subject to price regulation.

For this reason, should the Minister declare any monopoly services, we recommend that the Minister does not refer these monopoly services to IPART for price regulation, at this time.

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<sup>37</sup> WIC Act, section 51.

<sup>38</sup> Determination of the pricing and/or periodic review of the pricing policies. WIC Act, section 52(1).

<sup>39</sup> WIC Act, section 51(2).

#### 4.8.2 Consistent licence terminology and structure

We recommend the Minister varies the scope of the licence by extending the area of operations, which requires changes to Schedule A of the existing licence. We are also taking this opportunity to make minor changes to Schedule B of the licence, to align it to the standard licence template which has had updates to terminology and grammar since the existing licence was granted.

The existing licensed area of operation has also been amended with current lot and DP numbers as it has changed through the subdivision registration process. Lot 333 DP 1183498 and Lot 10 section 6 DP 3533 are now known as Lot 3 DP 1206864, Lots 553 to 580 DP 1202854, Lots 601 to 621 DP 1202855 and Lots 701 to 743 DP 1204699. Lot 12 DP 1158508 remained unchanged. Lot 212 DP 1037011 was inadvertently left out of the previous area of operation. We recommend the varied licence includes this lot as it was part of the Lake Macquarie City Council's development consent for the recycled water treatment plant (DA/714/2014).

## 5 Recommendations

We recommend that the Minister:

- ▼ grants a variation to the existing network operator's licence (licence number 15\_033) to Cooranbong Water Pty Ltd, subject to the revised conditions as set out in the attached draft licence (licence number 15\_033), and
- ▼ does not declare Cooranbong Water Pty Ltd to be a monopoly supplier in relation to the supply drinking water, non-potable water and sewerage services to the North Cooranbong Development.

**Should the Minister declare any monopoly services at the North Cooranbong Development, we recommend that the Minister does not refer these services to IPART for a determination of pricing or a periodic review of pricing policies, at this time.**

The Minister must consider, but is not bound to accept, any advice or recommendation in this report in determining the licence application. The Minister may, if circumstances so require, seek further advice from us in relation to the licence application.<sup>40</sup>

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<sup>40</sup> WIC Act, section 10(2).

The Minister is required to provide us with a notice of the decision and of the reasons for the decision on making a decision whether or not to grant the licence<sup>41</sup>. We will then make the information in the notice available to the public on our website, in accordance with the requirements of the WIC Act.<sup>42</sup>

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<sup>41</sup> WIC Act, section 10(5).

<sup>42</sup> WIC Act, section 10(6).





**Appendices**



## A Draft varied licence





**NEW SOUTH WALES  
GOVERNMENT**

*WATER INDUSTRY COMPETITION ACT 2006*  
(NSW)

**NETWORK OPERATOR'S LICENCE**

**COORANBONG WATER PTY LTD**

**ACN 169 450 453**

## **SCHEDULE A - SPECIAL MINISTERIALLY-IMPOSED LICENCE CONDITIONS FOR COORANBONG WATER PTY LTD'S NETWORK OPERATOR'S LICENCE**

This schedule sets out the conditions which the Minister imposes pursuant to section 13(1)(b) of the Act. In addition to these special Ministerially-imposed conditions, the Licensee is subject to obligations imposed by the Act, the Regulation and the standard Ministerially-imposed licence conditions set out in Schedule B. The Minister may vary the conditions in this schedule or impose new conditions, provided there is no inconsistency with the conditions imposed on the Licensee by the Act or the Regulation.

### **A1 Activities authorised - non-potable water**

A1.1 This Licence authorises the Licensee and any authorised persons specified in Table 1.1 to construct, maintain and operate the water industry infrastructure:

- a) specified in Table 1.2A that has been granted development consent under the EPA Act or is exempt development under the EPA Act and may be carried out without development consent under section 76(3)(a) of the EPA Act :
  - i) for one or more of the authorised purposes specified in Table 1.3; and
  - ii) within the area of operations specified in Table 1.4A,
- b) specified in Table 1.2B that has been granted development consent under the EPA Act or is exempt development under the EPA Act and may be carried out without development consent under section 76(3)(a) of the EPA Act :
  - i) for one or more of the authorised purposes specified in Table 1.3; and
  - ii) within the area of operations specified in Table 1.4B,

subject to the conditions imposed by or under the Act, the Regulation and this Licence.

#### **Table 1.1 Authorised persons**

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Flow Systems Pty Ltd (ACN 136 272 298)

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#### **Table 1.2A Water industry infrastructure**

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A treatment plant for non-potable water and other water infrastructure used, or to be used, in connection with the treatment plant, where components of the treatment plant or other water infrastructure may also be used for one or more of the following:

- a) production of non-potable water;
  - b) treatment of non-potable water;
  - c) filtration of non-potable water;
  - d) storage of non-potable water; and
  - e) conveyance of non-potable water.
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**Table 1.2B Water industry infrastructure**

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A reticulation network for non-potable water and other water infrastructure used, or to be used, in connection with the reticulation network, where components of the reticulation network or other water infrastructure may also be used for one or more of the following:

- a) storage of non-potable water; and
  - b) conveyance of non-potable water.
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**Table 1.3 Authorised purposes**

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Toilet flushing, washing machines, car washing, irrigation and water features.

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**Table 1.4A Area of operations**

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Land situated under Folio identifier Lot 12 in DP 1158508

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**Table 1.4B Area of operations**

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Land situated under Folio identifiers:

Lot	DP
11	129156
6 – 9	7352
7/6, 8/6	3533
3	1206864
553 – 580	1202854
601 – 621	1202855
701 – 743	1204699
12	1158508
212	1037011

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**A2 Activities authorised – drinking water**

A2.1 This Licence authorises the Licensee and any authorised persons specified in Table 2.1 to construct, maintain and operate the water industry infrastructure specified in Table 2.2 that has been granted development consent under the EPA Act or is exempt development under the EPA Act and may be carried out without development consent under section 76(3)(a) of the EPA Act:

- a) for the authorised purposes specified in Table 2.3;
- b) within the area of operations specified in Table 2.4,

subject to the conditions imposed by or under the Act, the Regulation and this Licence.

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**Table 2.1 Authorised persons**

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Flow Systems Pty Ltd (ACN 136 272 298)

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**Table 2.2 Water industry infrastructure**

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A reticulation network for drinking water and other water infrastructure used, or to be used, in connection with the reticulation network, where components of the reticulation network or other water infrastructure may also be used for one or more of the following:

- a) storage of drinking water;
  - b) conveyance of drinking water; and
  - c) treatment of drinking water.
- 

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**Table 2.3 Authorised purposes**

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Provision of drinking water

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**Table 2.4 Area of operations**

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Land situated under Folio identifiers:

Lot	DP
11	129156
6 – 9	7352
7/6, 8/6	3533
3	1206864
553 – 580	1202854
601 – 621	1202855
701 – 743	1204699
12	1158508
212	1037011

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**A3 Activities authorised – sewerage services**

A3.1 This Licence authorises the Licensee and any authorised persons specified in Table 3.1 to construct, maintain and operate the water industry infrastructure:

- a) specified in Table 3.2A that has been granted development consent under the EPA Act or is exempt development under the EPA Act and may be carried out without development consent under section 76(3)(a) of the EPA Act :
  - i) for one or more of the authorised purposes specified in Table 3.3A; and
  - ii) within the area of operations specified in Table 3.4A,
- b) specified in Table 3.2B that has been granted development consent under the EPA Act or is exempt development under the EPA Act and may be carried out without development consent under section 76(3)(a) of the EPA Act:
  - i) for one or more of the authorised purposes specified in Table 3.3B; and
  - ii) within the area of operations specified in Table 3.4B,

subject to the conditions imposed by or under the Act, the Regulation and this Licence.

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**Table 3.1 Authorised persons**

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Flow Systems Pty Ltd (ACN 136 272 298)

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**Table 3.2A Water industry infrastructure**

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A treatment plant for sewage and other sewerage infrastructure used, or to be used, in connection with the treatment plant, where components of the treatment plant or other sewerage infrastructure may also be used for one or more of the following:

- a) production of treated non-potable water from sewage;
  - b) treatment of sewage;
  - c) filtration of sewage;
  - d) storage of sewage; and
  - e) conveyance of sewage.
- 

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**Table 3.2B Water industry infrastructure**

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A reticulation network for sewage and other sewerage infrastructure used, or to be used, in connection with the reticulation network, where components of the reticulation network or other sewerage infrastructure may also be used for one or more of the following:

- a) storage of sewage; and
  - b) conveyance of sewage.
- 

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**Table 3.3A Authorised purposes**

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Sewage collection, transport, treatment, effluent disposal to sewer or transfer of non-potable water to non-potable water system, sludge/waste disposal to offsite licensed facilities.

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**Table 3.3B Authorised purposes**

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Sewage collection and transport.

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**Table 3.4A Area of operations**

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Land situated under Folio identifier Lot 12 in DP 1158508

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**Table 3.4B Area of operations**

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Land situated under Folio identifiers:

Lot	DP
11	129156
6 – 9	7352
7/6, 8/6	3533
3	1206864
553 – 580	1202854
601 – 621	1202855
701 – 743	1204699
12	1158508
212	1037011

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## **A4 Special Conditions**

A4.1 If a party to an Agreement proposes to:

- a) terminate the Agreement;
- b) novate the Agreement;
- c) assign or transfer any of its rights or obligations under the Agreement to any other person; or
- d) alter the Agreement in any way that materially reduces the Licensee's technical, financial or organisational capacity to carry out the activities authorised by this Licence,

the Licensee must provide IPART with written notice of that fact as soon as practicable, but no later than 3 months, before the time when the proposed action is to occur. The written notice must include details of how the services provided under the Agreement will be provided subsequent to the proposed termination, novation, assignment, transfer or alteration.

## **INTERPRETATION AND DEFINITIONS**

### **Interpretation**

In this Schedule A, unless the context requires otherwise:

- (i) the singular includes the plural and vice versa;
- (ii) headings are used for convenience only and do not affect the interpretation of this Schedule A;
- (iii) a reference to a document includes the document as modified from time to time and any document replacing it;
- (iv) a reference to a person includes a natural person and any body or entity whether incorporated or not;
- (v) a reference to a clause is to a clause in this Schedule A;
- (vi) a reference to a schedule is to a schedule to this Licence;
- (vii) a reference to a law or statute includes regulations, rules, codes and other instruments under it, and consolidations, amendments, re-enactments or replacements of them; and
- (viii) explanatory notes do not form part of this Licence, but in the case of uncertainty may be relied on for interpretation purposes.

### **Definitions**

Expressions used in this Schedule A that are defined in the Act or the Regulation have the meanings set out in the Act or the Regulation.

In this Schedule A:

Act	means the <i>Water Industry Competition Act 2006</i> (NSW).
Agreement	means any agreement or deed provided to IPART in connection with the Licensee's application for this Licence, or any application to vary this Licence.

EPA Act	means the <i>Environmental Planning and Assessment Act 1979</i> (NSW)
IPART	means the Independent Pricing and Regulatory Tribunal of New South Wales established under the <i>Independent Pricing and Regulatory Tribunal Act 1992</i> (NSW).
Licence	means this network operator's licence granted under section 10 of the Act.
Licensee	means the person to whom this Licence is granted under section 10 of the Act.
Minister	means the Minister responsible for Part 2 the Act.
Regulation	means the <i>Water Industry Competition (General) Regulation 2008</i> (NSW).
Reporting Manual	means the document entitled "Network Operator's Reporting Manual" which is prepared by IPART and is available on IPART's website at <a href="http://www.ipart.nsw.gov.au">www.ipart.nsw.gov.au</a> .

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## **SCHEDULE B - STANDARD MINISTERIALLY-IMPOSED LICENCE CONDITIONS FOR ALL LICENSED NETWORK OPERATORS UNDER THE ACT**

This schedule sets out the standard conditions which the Minister imposes on the Licensee and all other licensed network operators pursuant to section 13(1)(b) of the Act. In addition to these standard Ministerially-imposed conditions, the Licensee is subject to obligations imposed by the Act, the Regulation and the special Ministerially-imposed licence conditions set out in Schedule A. The Minister may vary the conditions in this schedule or impose new conditions, provided there is no inconsistency with the conditions imposed on the Licensee by the Act or the Regulation.

### **B1 Ongoing capacity to operate**

B1.1 The Licensee must have the technical, financial and organisational capacity to carry out the activities authorised by this Licence. If the Licensee ceases to have this capacity, it must report this to IPART immediately in accordance with the Reporting Manual.

### **B2 Obtaining appropriate insurance**

B2.1 Before commencing to commercially operate the Specified Water Industry Infrastructure under this Licence, the Licensee must:

- a) obtain insurance that is appropriate for the size and nature of the activities authorised under this Licence;
- b) provide a copy of each certificate of currency of the insurance obtained to IPART; and
- c) demonstrate that the insurance obtained is appropriate for the size and nature of the activities authorised under this Licence by providing a report to IPART from an Insurance Expert that:
  - i) certifies that in the Insurance Expert's opinion, the type and level of the insurance obtained by the Licensee is appropriate for the size and nature of the activities authorised under the Licence; and
  - ii) is in the form prescribed by the Reporting Manual.

B2.2 [*Not applicable*]

### **B3 Maintaining appropriate insurance**

B3.1 The Licensee must maintain insurance that is appropriate for the size and nature of the activities authorised under this Licence.

B3.2 The Licensee must provide a copy of each certificate of currency of the insurance maintained by the Licensee to IPART in accordance with the Reporting Manual.

B3.3 If there is, or is to be, a change in:

- a) the insurer or underwriting panel in respect of an insurance policy held by the Licensee; or
  - b) the type, scope or limit on the amount of insurance held by the Licensee,
- in relation to the activities authorised under this Licence, the Licensee must provide a report to IPART in accordance with the Reporting Manual.

B3.4 From time to time when requested in writing by IPART, the Licensee must provide a report to IPART, in the manner, form and time specified by IPART, from an Insurance Expert certifying that in the Insurance Expert's opinion the type, scope or limit on the

amount of the insurance held by the Licensee is appropriate for the size and nature of the activities authorised under this Licence.

*[Note: The circumstances in which IPART may request a report under clause B3.4 include (but are not limited to) the following:*

- *where IPART has reason to believe that there may be a change in the type, scope or limit on the amount of insurance held by the Licensee in relation to activities authorised under this Licence;*
- *where there is a change in the type or extent of activities authorised under this Licence; or*
- *where IPART or an approved auditor has reason to believe that the type, scope or limit on the amount of insurance held by the Licensee may not be appropriate for the size and nature of the activities authorised under this Licence.]*

B3.5 The licensee must maintain professional indemnity insurance during the Design Phase and for a minimum period of 6 years from the date of the completion of the Design Phase.

#### **B4 Complying with NSW Health requirements**

B4.1 The Licensee must carry out the activities authorised by this Licence in compliance with any requirements of NSW Health that:

- a) IPART has agreed to; and
- b) are notified from time to time to the Licensee by IPART in writing.

#### **B5 Complying with Audit Guidelines from IPART**

B5.1 The Licensee must comply with any Audit Guidelines issued by IPART.

#### **B6 Reporting in accordance with the Reporting Manual**

B6.1 The Licensee must prepare and submit reports in accordance with the Reporting Manual.

#### **B7 Reporting information in relation to the Register of Licences**

B7.1 Within 14 days of any change in relation to the following, the Licensee must notify IPART, and provide IPART with details, of the change in accordance with the Reporting Manual:

- a) any source from which the water handled by the Specified Water Industry Infrastructure is derived;
- b) the Authorised Purposes of the water handled by the Specified Water Industry Infrastructure;
- c) the identity of each licensed retail supplier or public water utility that has access to the infrastructure services provided by the Specified Water Industry Infrastructure for the purpose of supplying water to its customers;
- d) any other water infrastructure to which the Specified Water Industry Infrastructure is connected;
- e) the identity of each licensed retail supplier or public water utility that has access to infrastructure services provided by the Specified Water Industry Infrastructure for the purpose of providing sewerage services to its customers;

- f) any other sewerage infrastructure to which the Specified Water Industry Infrastructure is connected;
- g) the arrangements for the disposal of waste from the Specified Water Industry Infrastructure.

## **B8 Monitoring**

- B8.1 The Licensee must undertake any monitoring that is required for the purposes of this Licence, any Plan, the Act or the Regulation in accordance with this clause B8.
- B8.2 The Licensee must keep the following records of any samples taken for monitoring purposes specified in the Water Quality Plan:
  - a) the date on which the sample was taken;
  - b) the time at which the sample was collected;
  - c) the point or location at which the sample was taken; and
  - d) the chain of custody of the sample (if applicable).
- B8.3 The Licensee must ensure that analyses of all samples taken for the purposes of Verification Monitoring are carried out by a laboratory accredited for the specified tests by an independent body that is acceptable to NSW Health, such as the National Association of Testing Authorities or an equivalent body.

## **B9 Provision of copy of Plan**

- B9.1 Whenever the Licensee makes a significant amendment to a Plan, the Licensee must provide a copy of the amended Plan to IPART at the same time that it provides a copy to the approved auditor engaged to prepare a report as to the adequacy of the amended Plan, as required under the Regulation.

## **B10 Delineating responsibilities – interconnections**

- B10.1 If a code of conduct has not been established under clause 25 of the Regulation, the Licensee must (by a date specified by IPART) establish a code of conduct (**Licensee's Code of Conduct**) in accordance with this clause B10.
- B10.2 The Licensee's Code of Conduct must set out the respective responsibilities of:
  - a) the Licensee; and
  - b) each licensed network operator, licensed retail supplier and/or public water utility that:
    - (i) supplies water or provides sewerage services by means of; or
    - (ii) constructs, maintains or operates,any water industry infrastructure that is connected to the Specified Water Industry Infrastructure,by, at a minimum, providing for:
  - c) who is responsible for repairing, replacing or maintaining any pipes, pumps, valves, storages or other infrastructure connecting the Specified Water Industry Infrastructure to the other water industry infrastructure;
  - d) who is responsible for water quality;
  - e) who is liable in the event of the unavailability of water;
  - f) who is liable in the event of failure of the Specified Water Industry Infrastructure;

- g) the fees and charges payable in respect of the use of the Specified Water Industry Infrastructure; and
- h) who is responsible for handling customer complaints.

B10.3 Before the Licensee brings the Specified Water Industry Infrastructure into commercial operation or by a later date specified by IPART (if any), the Licensee's Code of Conduct must be agreed in writing between the Licensee and the other licensed network operators, licensed retail suppliers and/or public water utilities referred to in clause B10.2.

B10.4 [*Not applicable*]

B10.5 The Licensee must not contravene the Licensee's Code of Conduct to the extent that it makes the Licensee responsible or liable for the matters set out in it.

#### **B11 Notification of changes to end-use**

B11.1 If the Licensee proposes to operate the Specified Water Industry Infrastructure to supply water for an end-use which is not set out in the most recent Water Quality Plan provided to IPART, the Licensee must notify IPART in writing at least 3 months before commencing such operation.

#### **B12 Notification of changes to Authorised Person**

B12.1 If an Authorised Person ceases, proposes to cease, or receives notification to cease providing any of the services relating to the activities authorised by this Licence, the Licensee must provide IPART with written notice as soon as practicable but no later than 28 days before the date of cessation of the services. The written notice must include details of how the services previously undertaken by the Authorised Person will continue to be undertaken.

#### **B13 Notification of commercial operation**

B13.1 This clause B13 applies each time the Licensee has brought any of the Specified Water Industry Infrastructure into commercial operation.

B13.2 The Licensee must:

- a) notify IPART in accordance with the Reporting Manual that it has brought the relevant Specified Water Industry Infrastructure into commercial operation; and
- b) provide such notification within 10 days after it has brought the relevant Specified Water Industry Infrastructure into commercial operation.

### **INTERPRETATION AND DEFINITIONS**

#### **Interpretation**

In this Schedule B, unless the context requires otherwise:

- (i) the singular includes the plural and vice versa;
- (ii) headings are used for convenience only and do not affect the interpretation of this Schedule B;
- (iii) a reference to a document includes the document as modified from time to time and any document replacing it;

- (iv) a reference to a “person” includes a natural person and any body or entity whether incorporated or not;
- (v) a reference to a clause is to a clause in this Schedule B;
- (vi) a reference to a schedule is to a schedule to this Licence;
- (vii) a reference to a law or statute includes regulations, rules, codes and other instruments under it, and consolidations, amendments, re-enactments or replacements of them; and
- (viii) explanatory notes do not form part of this Licence, but in the case of uncertainty may be relied on for interpretation purposes.

## Definitions

Expressions used in this Schedule B that are defined in the Act or the Regulation have the meanings set out in the Act or the Regulation.

In this Schedule B:

Act	means the <i>Water Industry Competition Act 2006</i> (NSW).
Audit Guidelines	means the document entitled “Audit Guideline – Water Industry Competition Act 2006” which is prepared by IPART and is available on IPART’s website at <a href="http://www.ipart.nsw.gov.au">www.ipart.nsw.gov.au</a> , and any other guidelines issued by IPART in relation to audits under the Act.
Authorised Person	means the authorised persons specified in, as applicable: <ul style="list-style-type: none"> <li>(i) Schedule A, clause A1, Table 1.1;</li> <li>(ii) Schedule A, clause A2, Table 2.1; and</li> <li>(iii) Schedule A, clause A3, Table 3.1.</li> </ul>
Authorised Purposes	means the authorised purposes specified in, as applicable: <ul style="list-style-type: none"> <li>(i) Schedule A, clause A1, Table 1.3;</li> <li>(ii) Schedule A, clause A2, Table 2.3; and</li> <li>(iii) Schedule A, clause A3, Table 3.3.</li> </ul>
Design Phase	means the period during which any design works are carried out in relation to the water industry infrastructure that the Licensee is authorised to construct, maintain and operate under this Licence.
Insurance Expert	means an insurance broker which holds an Australian financial services licence under Part 7.6 of the <i>Corporations Act 2001</i> (Cth) that authorises the broker to provide financial product advice for, and deal in, contracts of insurance within the meaning of Chapter 7 of that Act.
IPART	means the Independent Pricing and Regulatory Tribunal of New South Wales established under the <i>Independent Pricing and Regulatory Tribunal Act 1992</i> (NSW).
Licence	means this network operator’s licence granted under section 10 of the Act.
Licensee	means a person to whom this Licence is granted under section 10 of the Act.
Licensee’s Code of Conduct	has the meaning given in clause B10.1.

Minister	means the Minister responsible for Part 2 of the Act.
NSW Health	means the Water Unit of NSW Ministry of Health and any of the local health districts as defined by the NSW Ministry of Health.
Plan	means any infrastructure operating plan, water quality plan or sewage management plan that the Licensee is required to prepare under the Regulation.
Regulation	means the <i>Water Industry Competition (General) Regulation 2008</i> (NSW).
Reporting Manual	means the document entitled “Network Operator's Reporting Manual,” which is prepared by IPART and is available on IPART’s website at <a href="http://www.ipart.nsw.gov.au">www.ipart.nsw.gov.au</a> .
Specified Area of Operations	means the area of operations specified in, as applicable: <ul style="list-style-type: none"> <li>(i) Schedule A, clause A1, Table 1.4A and 1.4B;</li> <li>(ii) Schedule A, clause A2, Table 2.4; and</li> <li>(iii) Schedule A, clause A3, Table 3.4A and 3.4B.</li> </ul>
Specified Water Industry Infrastructure	means the water industry infrastructure specified in, as applicable: <ul style="list-style-type: none"> <li>(i) Schedule A, clause A1, Table 1.2A and 1.2B;</li> <li>(ii) Schedule A, clause A2, Table 2.2; and</li> <li>(iii) Schedule A, clause A3, Table 3.2A and 3.2B.</li> </ul>
Verification Monitoring	means verification monitoring as described in the document entitled “Australian Drinking Water Guidelines” or the document entitled “Australian Guidelines for Water Recycling” as the case may be.
Water Quality Plan	means the water quality plan that the Licensee is required to prepare under the Regulation.

