

Sydney Catchment Authority Operational Audit 2006/07

Report to the Minister

Water - Compliance Report
December 2007

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1 Introduction and Overview

The Independent Pricing and Regulatory Tribunal (IPART) of New South Wales has completed its annual audit of Sydney Catchment Authority's (SCA) compliance with the requirements of its Operating Licence. This audit covers the period from 1 July 2006 to 30 June 2007. IPART engaged Halcrow Pacific Pty Ltd, to undertake the 2006/2007 Operational Audit of SCA.

The purpose of this report is to inform the Minister for Climate Change Environment and Water of the audit findings, and of IPART's recommendations in response to these findings.

The 2006/07 audit is the first year that IPART has employed a risk based auditing regime. The IPART risk assessment process provides that only clauses assessed as having high risks associated with non-compliance are included in the audit scope. Other clauses are subject to IPART review, which requires the SCA to provide IPART with a statement of compliance together with evidence or an outline of compliance.

Appendix A sets out details of licence requirements and shows which requirements are subject to audit and which are subject to IPART review.

1.1 Overview of Audit findings

The auditor found that SCA managed its resources to achieve **High** to **Full Compliance** with the audited sections of its Operating Licence. More specifically,

- ▼ **Full Compliance** was achieved for all of the audited clauses relating to Bulk Raw Water Quality.
- ▼ **Full Compliance** was achieved for eight audited clauses relating to Catchment Management and Protection. Four **High Compliance** ratings were achieved in this area.
- ▼ **Full Compliance** was achieved for three audited clauses relating to the Environment. One **High Compliance** rating was achieved.
- ▼ **Full Compliance** was achieved for five audited clauses relating to Management of Catchment Infrastructure Works and Water Conservation. One **High Compliance** rating was achieved.

The SCA provided evidence of compliance with all of the Licence conditions subject to the IPART Secretariat review of obligations not subject to audit.

1.2 IPART recommendations

The auditor has made a number of recommendations for SCA. IPART encourages the SCA to consider all of these recommendations and use them to guide its efforts to further improve its performance over the next year.

IPART does not consider that any of these recommendations warrants consideration by the Minister as request for specific action by SCA.

While no formal recommendations have been presented by IPART, a key issue remains with regard to the assessment of development applications in the catchment area under the State Environmental Planning Policy (SEPP) and Regional Environmental Plan (REP). Specifically, there is still the absence of a formal link between SCA and local councils when assessing development applications.

IPART notes that while SCA has generally complied with the obligations imposed under the REP and SEPP 58; there are still areas of improvement required for an assessment of full compliance. These improvements would include the implementation of a more structured Audit plan to monitor the implementation of guidelines, specifically the “Neutral or Beneficial Effects (NorBE)” model, by consent authorities when assessing development applications, and the implementation of consent conditions.

1.3 Structure of Report

The following chapters summarise the auditor’s findings and present the auditors recommendations. In addition IPART provides comments on the auditor’s findings based on its attendance at audit meetings and understanding of the issues.

Chapter 2 explains the basis for and scope of the audit review, and the process followed in undertaking it.

Chapters 3 to 6 focus on SCA’s compliance with the audited sections of the Licence under the risk based process, including:

- ▼ Bulk Raw Water Quality
- ▼ Catchment Management and Protection
- ▼ The Environment
- ▼ Management of Catchment Infrastructure Works and Water Conservation

Some obligations within these sections of the licence were not audited but were reviewed by IPART. IPART’s comments on these obligations are discussed in these chapters.

Chapters 7 - 10 discuss those sections of the Licence that were not subject to audit under the risk based process in 2006/2007, but were subject to a review by IPART. These sections include:

- ▼ Asset Management
- ▼ Customers
- ▼ Pricing
- ▼ Memoranda of Understanding.

2 Audit Scope and Process

The Sydney Catchment Authority (SCA) was established in July 1999 to manage the water catchment areas and infrastructure within its jurisdiction to improve water quality, protect public health and protect the environment. It also has primary responsibility for supplying bulk water to Sydney Water Corporation and several smaller customers. SCA draws bulk water from the catchments of four major river systems – the Warragamba, Upper Nepean, Woronora and Shoalhaven.

Part 11 of SCA's Licence includes a requirement for IPART to undertake an audit of performance against the Operating Licence each year and report the findings to the Minister. This audit covers the period from 1 July 2006 to 30 June 2007 (audit period) and is the eighth audit of the SCA since it commenced operation in July 1999. Clause 33 of the *Sydney Water Catchment Management Act 1998* requires that the Minister must table the auditor's report before both Houses of Parliament within one month of receiving the report.

2.1 Scope

The 2006/2007 Operational Audit is the first year that IPART has adopted a risk based approach to auditing. In previous audits, IPART has relied, primarily, on a comprehensive independent audit of the entire Operating Licence to monitor and report compliance.

The adoption of a risk-based approach signifies IPART's intention to improve the effectiveness and efficiency of the auditing process without increasing the risk to the community. The benefits of such an approach include targeting audit resources to areas of higher risk while reducing the overall burden of compliance on SCA.

2.2 Process

In undertaking and preparing this report IPART has engaged of Halcrow Pacific Pty Ltd as lead auditor to assess SCA's performance against specific requirements of its Operating Licence identified as constituting higher risk. As a part of this process, the Auditor consulted with the SCA's key stakeholders, including other Government agencies and local councils.

The auditor adopted a methodology consistent with *ISO 14011 Guidelines for Environmental Auditing*. These guidelines set out a systematic approach to defining the requirements of the audit, which ensure that it is conducted in accordance with an established and recognised audit protocol.

IPART held an inception meeting with the auditor and SCA's Acting Chief Executive and other representatives on 12 September 2007. This meeting developed protocols for the conduct of the audit. Both the auditor and the SCA adhered to the agreed protocols throughout the audit. The IPART Secretariat was represented at each interview meeting between the auditor and SCA, which meant that IPART was able to gain first hand information on audit processes and outcomes.

IPART provided SCA with drafts of the audit report, and gave it an opportunity to provide the auditor and IPART with its comments on these documents. The auditor considered these comments before finalising its report. The auditor's Final Report is attached as Appendix B.

The auditor assessed and rated SCA's compliance with the relevant requirements of the Operating Licence according to the following schedule:

Compliance Grade	Description Detail
Full Compliance	All requirements of the condition have been met.
High Compliance	Most requirements of the condition have been met with some minor technical failures or breaches.
Moderate Compliance	The major requirements of the condition have been met.
Low Compliance	Key requirements of the condition have not been met but minor achievements regarding compliance have been demonstrated.
Non Compliance	The requirements of the condition have not been met.
Insufficient Information	Relevant, suitable or adequate information to make an objective determination regarding compliance was not available to the auditor.
No Requirement	The requirement to comply with this condition does not occur within the audit period or there is no requirement for the utility to meet.

2.3 IPART review of obligations not subject to Audit

The IPART Secretariat consulted with SCA for the purposes of its review. The intention of the review was to verify compliance with the requirements of the Operating Licence classed as low risk under the risk based auditing framework without imposing excessive regulatory burden on SCA. SCA cooperated with IPART throughout this review process.

IPART's review of the performance of SCA against the lower risk clauses of its Operating Licence is attached as Appendix C.

SCA generally complied with all of the requirements of the review as required by the Operating Licence. In addition, the SCA submitted a compliance report to IPART setting out evidence of compliance with Licence obligations during the 2006/07 audit period which was accompanied by a statement certifying compliance signed by the Acting Chief Executive and Chairman of SCA. This report and statement is attached as Appendix D.

3 Bulk Raw Water Quality

3.1 Auditor's Findings

Specific Water Characteristics

Full Compliance was achieved for all of the audited clauses concerning Specific Water Characteristics. SCA developed a list of specific water characteristics in consultation with NSW Health and Sydney Water Corporation.

Health Related Water Characteristics

Full Compliance was achieved for all of the audited clauses concerning Health Related Water Characteristics. SCA demonstrated that the list of Health related characteristics was derived from the list of Specific Water Characteristics.

Water Supplied for Water Treatment

Full Compliance was achieved for all of the audited clauses concerning Water Supplied for Water Treatment. SCA complied with all of the Health Guideline values in the Australian Drinking Water Guidelines 2004 (ADWG 2004).

Catchment and System Management

Full Compliance was achieved for all of the audited clauses concerning Catchment and System Management, including the implementation of a Raw Drinking Water Quality Management Framework that is consistent with the requirements of the ADWG 2004.

Water Quality Monitoring and Reporting

Full Compliance was achieved for all of the audited clauses concerning Water Quality Monitoring and Reporting.

Water Quality Planning

Full Compliance was achieved for all of the audited clauses concerning Water Quality Planning.

Environmental Water Quality

Full Compliance was achieved for all of the audited clauses concerning Environmental Water Quality.

3.2 Auditor's Recommendations

- SCA should continue consultation with NSW Health in Respect to removal of turbidity from the list of Health related Water Quality Characteristics.
- Consideration should be given to revising Clause 3.4(a) of the Operating Licence to refer to target water quality values nominated in the various supply agreements between the SCA and its customers instead of the ADWG 2004.
- IPART should issue a formal clarification in respect to the intent of the requirements of Clauses 3.7.4(b) and 3.7.4 (c).

3.3 IPART review of obligations not subject to Audit

Health-Related Water Quality Characteristics

SCA provided IPART with a list of Health Related Water Characteristics. This list was approved by NSW Health and made public in the SCA Annual Water Quality Monitoring Report which is available on the SCA website.

Water Quality Monitoring and Reporting

SCA provided evidence that it had complied with the Licence provisions regarding Water Quality Monitoring and Reporting, including the provision of routine monitoring results to Customers and NSW Health.

Water Quality Planning

SCA provided evidence that it continues to maintain an Incident Management Plan and had complied with the requirements to consult customers and NSW Health in relation to the adequacy of the Plan and to update the plan as required.

3.4 IPART's Comments

Full Compliance was achieved for all of the audited clauses concerning Part 3 of the Licence relating to Bulk Raw Water Quality. This continues the performance during the 2005/06 audit period where SCA also achieved a very high level of compliance.

Notwithstanding the assessment of full compliance with all clauses in Part 3 of the Licence, the auditor made several recommendations. The auditor recommended that the status of turbidity on the list of health related water characteristics be clarified, as turbidity does not have a health guideline value in the ADWG 2004, only an aesthetic value. SCA and NSW Health have discussed moving turbidity from the list of Health Related Water Quality Characteristics to the list of Specific Water Characteristics. IPART intends to write to both NSW Health and SCA to settle this matter.

The 2005/06 audit identified some areas of the routine Water Quality Monitoring program that needed improvement. SCA has subsequently updated its program to address these short comings. The SCA consulted with and received approval from NSW Health for the updates. IPART is pleased that SCA has undertaken measures to address comments made in last years audit in order to improve its compliance.

IPART notes that the auditor has made recommendations, outlined in section 3.2 of this report, with respect to revising clause 3.4(a) of the Operating Licence (related to the status of Turbidity as discussed above) and clarifying the intent of clauses 3.7.4 (b) and (c), related to the analysis of risk action plan options within the Water Quality Management Framework. IPART does not consider it necessary at this stage to recommend any amendments to the Operating Licence. However, IPART will address these recommendations by formal clarification of the intent of the specified clauses in consultation with the SCA.

The Secretariat reviewed those Licence clauses not subject to comprehensive audit. Through liaison with SCA, IPART determined that SCA has satisfied the clauses of the Licence with respect to Bulk Raw Water Quality. The high level of compliance achieved for this section of the Licence is consistent with the performance of SCA in the 2005/06 audit, where the SCA similarly received predominately full compliance.

4 Catchment Management and Protection

4.1 Auditor's Findings

SCA to manage and protect Catchment Areas

Full Compliance was achieved for four of the six audited clauses concerning the management and protection of catchment areas. Two **High Compliance** ratings were recorded as SCA could not demonstrate how the improvements suggested by IPART were incorporated into the final versions of the *Sydney Catchment Authority Catchment Management and Protection Activities Report 05-06*.

Plans of Management – Special Areas

Full Compliance was achieved for both audited clauses concerning Plans of Management for Special Areas. SCA has two Plans of Management in operation; the Special Areas Strategic Plan of Management and the Wingecarribee Swamp Special Area Plan of Management. Both plans have recently been updated in consultation with key stakeholders, community groups and the wider community.

Regional Environment Plan (REP) and State Environmental Planning Policy-SEPP 58

Full Compliance was achieved for two of the four audited clauses concerning the REP and SEPP. The auditor noted a substantial improvement in the training of local councils in the use of the “Neutral or Beneficial Effects” (NorBE test). **High Compliance** was achieved as concerns remained with the assessment of development applications under both SEPP 58 and the newly implemented REP.

4.2 Auditor's Recommendations

- It is recommended that the requirements of Clause 4.3.1 be further assessed once the Regional Environment Plan and Local Environment Plans (LEPs) have been fully implemented to review the effectiveness of these new instruments in respect to monitoring and control of development applications.

4.3 IPART review of obligations not subject to Audit

Provision of Information

SCA demonstrated that it had published information on water quality relevant to the catchment area. This information is available on the SCA website. SCA has also kept this information up to date.

4.4 IPART's Comments

Full Compliance was achieved for four of the six audited clauses concerning Part 4 of the Licence relating to Catchment Management and Protection.

The Regional Environment Plan (REP) commenced in January 2007 and was in operation for half of the audit period. The auditor noted that significant work had been undertaken in training local councils in the use of the NorBE test. This was an outstanding issue from the 2005/06 audit.

Notwithstanding the training undertaken, there were still some concerns on this issue. Specifically these concerns relate to the *formal link*¹ between Councils and the SCA in the assessment of development applications, the setting of conditions of consent and the enforcement of these conditions of consent.

IPART acknowledges that controls on development within the catchment areas are critical to catchment water quality. Currently, the SCA does not have regulatory power under the *Environmental Planning and Assessment Act 1979* (EPA&A Act) to check the implementation of consent conditions imposed by councils. The issue of adequately monitoring development in the catchment area has been raised in previous audits.

Following the 2005/06 Audit, IPART recommended that the Minister review the existing arrangements in relation to the processing and monitoring of development applications in the Catchment Area. In response to this recommendation the Minister, acknowledged that the REP replaced SEPP 58 on 1 January 2007, and the Section 117 Ministerial Direction, was also effective from 1 January 2007. The Section 117 Ministerial Direction supports the REP by requiring Councils to prepare Local Environment Plans (LEPs) in accordance with water quality protection principles.

¹ In general a "formal link" would include, for example, a documented auditing process whereby the SCA regularly audits development applications approved with SCA's conditions of consent, to determine if the conditions are included in the approved development application and if the conditions are implemented, or if the Council ensures that the conditions are implemented by the applicant.

The Minister decided that, given the introduction of these new powers, it would be premature to consider a request to amend the State Planning legislation required to implement IPART's recommendation. The Minister commissioned an Audit of Catchment Lands which is due for completion in December 2007, and noted that the outcomes of the audit of Catchment Lands will provide an indication of the progress of the REP and LEPs in delivering water quality objectives.

IPART accepts that it would be premature to recommend any improvements to this section of the Licence until the results of the Audit of Catchment Lands are concluded, and the REP and LEPs are fully implemented. However, IPART considers it prudent to again draw the Minister's attention to the difficulties that still exist in this area.

IPART notes that while SCA has generally complied with the obligations imposed under the REP and SEPP 58; there are still areas of improvement required for an assessment of full compliance. IPART suggests that SCA should audit a sample of local councils to assess the extent of implementation of SCA guidelines and consent conditions. The application of the NorBE model is of particular interest in this respect. IPART suggests that such an audit should be finalised prior to 30 June 2008 to allow SCA to report the results in the 2007/08 audit.

The IPART Secretariat reviewed the requirement related to the provision of information and noted that SCA had complied with this clause which requires the publication of information with regard to water quality, river health data and water transfers.

5 The Environment

5.1 Auditor's Findings

Environment Plan

Full Compliance was achieved for all of the audited clauses concerning the Environment Plan. SCA prepared a draft Environment plan by 30 April 2006 and a final Environment plan was published on SCA's Website on 30 August 2006.

Catchment and Environmental Performance Indicators

Full Compliance was achieved for three of the four audited clauses concerning Catchment and Environmental Performance Indicators. The SCA demonstrated that it has systems in place to monitor and record performance data and that it reported within the required timeframe against the Catchment and Environmental Performance Indicators set out in Schedule 2 of the licence. **High Compliance** was assessed for reporting of the Indicators in Schedule 2 since the auditor found it difficult to confirm year to year comparisons and trend analysis.

5.2 Auditor's Recommendations

The auditor made no recommendations in relation to this section of the Licence.

5.3 IPART review of obligations not subject to Audit

Environment Plan

SCA has developed an Environment Plan consistent with the requirements outlined in the Licence. This includes details of SCA's environmental management and programs to manage and minimise environmental impacts. SCA engaged in public consultation in developing the Environment Plan and has recognised the Environment plan in the 2007-2012 Corporate Plan. SCA reported to IPART on its progress in meeting the Environment Plan as required by clause 5.1.5.

5.4 IPART's Comments

Full Compliance was achieved for three of the four audited clauses concerning Part 5 of the Licence relating to The Environment.

The SCA have achieved Full Compliance for the development of an Environment Plan and have made this plan publicly available. The Plan is for a term of 5 years which will see out the term of the current Licence.

The SCA has developed and maintains a comprehensive database that details all of the SCA reporting requirements under the Operating Licence. This database provides the facility for the SCA to monitor and record, compile data and provide information on the performance indicators required by the Licence. IPART notes that the database has only been operational for 12 months and expects that the full effect of the database will be apparent in the 2007/08 Operational Audit.

SCA achieved High Compliance for reporting on catchment and environmental indicators. The auditor considered the reporting against the indicators was disjointed and found it difficult to confirm the requirements in respect to year to year comparisons and analysis of trends. IPART suggests that SCA should provide a single dedicated report containing the full extent of the information required. Failing that SCA should provide a more detailed explanation, in a covering letter, of the location of specific information in referenced documents.

SCA advised the auditor that it will endeavour to make reporting of the indicators more transparent in the reporting for the 2007/08 year.

The IPART Secretariat reviewed a number of clauses under Part 5 of the Licence. SCA was able to demonstrate compliance with these clauses which included engaging in public consultation in the development of the Environment plan, satisfying the required content of the Environment Plan as defined in clause 5.1.3, and meeting the Licence requirement to report to IPART by September 1 each year on its progress in meeting the Environment Plan. The SCA submitted to IPART reports for both the 2005/06 financial year and 2006/07 financial year. The Secretariat assessed that SCA has complied with the IPART review items for Part 5 of the Operating Licence.

6 Management of Catchment Infrastructure Works and Water Conservation

6.1 Auditor's Findings

Management of Catchment Infrastructure Works

Full Compliance was achieved for all of the audited clauses concerning the Management of Catchment Infrastructure Works. SCA undertook an extensive range of actions to protect human health including developing and maintaining management plans for Bulk Water Supply Protocol, Corporate Plan, Corporate Incident Management Framework, Standard Operating Procedures, and Raw Drinking Water Quality Management Framework. SCA operated and managed Catchment Infrastructure Works consistent with the Design Criteria.

Water Supply System Yield

Full Compliance was achieved for two of the three audited clauses concerning Water Supply System Yield. SCA provided a report on System Yield to the Minister on 7 November 2006. **High Compliance** was awarded as the report on Water Supply System Yield was not made publicly available as soon as practicable after reporting to IPART (a period of four months elapsed).

Water Conservation

Full Compliance was achieved for the audited clause concerning Water Conservation. SCA produced a report on Leakage and Loss Management in the Water Supply System and made this report available to the public.

6.2 Auditor's Recommendations

The auditor made no recommendations in relation to this area.

6.3 IPART review of obligations not subject to Audit

Water Conservation

SCA reported to IPART on the practicable actions that it has implemented in order to conserve water and minimise water losses.

SCA reported to IPART on demand management and supply augmentation activities that it has undertaken, the water balances for catchment infrastructure works, and actions undertaken to manage leakage and losses from catchment infrastructure works. These reports are contained within the SCA 2006 Annual Report and are available from the SCA website.

6.4 IPART's Comments

Full Compliance was achieved for five of the six audited clauses concerning Part 6 of the Licence, relating to the Management of Catchment Infrastructure Works and Water Conservation.

An outstanding issue from the 2005/06 audit was the completion of the report on Leakage and Loss from the Water Supply System (cl 6.4.3). This report has since been received (20 April 2007) and approved by IPART.

During the audit period, the processes employed by SCA to manage and operate the Catchment Infrastructure Works were tested a number of times under operational conditions. This included a turbidity incident at Warragamba Dam. The SCA provided an Operational debrief document to the auditor which identified lessons learnt and opportunities for improvements. IPART expects that these lessons will be incorporated into the Water Monitoring Program that SCA is currently revising in order to satisfy clause 3.6.5.

SCA has completed the construction of a pumping station at Prospect Reservoir which allows Warragamba Dam to be taken out of service in the event of a water quality incident or other supply failure event. SCA has confirmed that this process has already been tested. IPART considers that these improvements are important in ensuring the continued supply of high quality water.

The review items in Part 6 of the Licence relate to water conservation, the preparation of water balances and management of leakage and loss from the water supply system. IPART assessed that SCA satisfied these requirements for the 2006/07 audit period.

7 | Asset Management

7.1 IPART review of obligations not subject to Audit

IPART did not require SCA to report on or audit the Asset Management System in the 2006/07 audit period. As a result compliance with clauses 7.2 and 7.3 was not required.

7.2 IPART's Comments

Part 7 of the Operating Licence addresses Asset Management. SCA provided the Corporate Plan as evidence of the framework for its Service Delivery Strategy, Asset Strategy, Corporate Support Strategies, Investment Plans, Operations and Maintenance Plans, Disposal Plans, Capital Expenditure Program and Annual; Work Plans. IPART is satisfied with SCA's compliance with Part 7 of the Licence.

8 Customers

8.1 IPART review of obligations not subject to Audit

The SCA acknowledges that it has entered into a BWSA with Sydney Water Corporation. SCA has also established terms and conditions of supply which apply to all of its customers for the supply of Bulk Water. The agreement with Shoalhaven City Council was finalised on 1 December 2006.

SCA has established and maintains internal complaints handling procedures based on the Australian Standard AS4269-1995.

SCA were able to demonstrate that it regularly engages in consultation with customers and the community on issues relevant to the performance of SCA's obligations under the Licence.

8.2 IPART's Comments

Part 8 of the Operating Licence addresses Customers of SCA. SCA demonstrated that it generally complied with the requirements of this section of the Licence.

The SCA confirmed that it had finalised an agreement with Shoalhaven City Council on 1 December 2006 which, detailed the terms and conditions of supply, for Bulk Water. The finalisation of this agreement resolved an outstanding matter from the 2005/06 audit.

SCA advised IPART that it established and continues to maintain complaints handling procedures based on AS4269-1995 Complaints Handling. This is consistent with the obligations of the Operating Licence; however, AS4269-1995 has recently been updated to the new standard AS/ISO-10002-2006 Customer satisfaction - Guidelines for complaints handling in organisations. IPART recommends that SCA adopt AS/ISO-10002:2006 to provide guidance on the process of complaints handling within its organisation, including planning, design, operation, maintenance and improvement. This will ensure that SCA is in compliance with the most up to date standards and procedures relating to handling of complaints.

9 | Pricing

9.1 IPART review of obligations not subject to Audit

SCA certified that it has complied with the pricing provisions of the Licence.

9.2 IPART's Comments

Part 9 of the Operating Licence addresses Pricing. SCA certified that it complied with the Pricing provisions outlined in Part 9 of the Operating Licence by setting the level of fees and charges payable by its customers consistent with the Pricing Determination made by IPART as required by the Licence. SCA was awarded full compliance with these requirements in the 2005/06 audit. There were no outstanding issues identified with regard to Pricing.

10 | Memoranda of Understanding

10.1 IPART review of obligations not subject to Audit

SCA provided evidence to IPART that it has maintained a Memoranda of Understanding (MoU) with each of the Water Administration Ministerial Corporation (DWE), the Director-General of NSW Health and EPA (DECC).

10.2 IPART's Comments

The requirement to maintain a MoU with each of Water Administration Ministerial Corporation, the Director-General of NSW Health and Environment Protection Authority (EPA) is outlined under clause 2.3 of the Licence. This obligation was also a requirement under section 36 of the *Sydney Water Catchment Act 1998*. However, recent amendments to this Act removed the requirement for SCA to enter into a MoU with DWE.

SCA has maintained a MoU with the Water Administration Ministerial Corporation, (which is administered by DWE), since December 2003 and with EPA (which is now an agency of the newly formed DECC) since December 2001. SCA has reported that both MoU's are achieving their objectives and currently there is no plan to update either MoU.

The MoU with NSW Health commenced on 4 September 2006 and has remained operational for the reporting period.

In the 2005/06 Audit the auditor recommended that SCA update the MoU with EPA (DECC). This MoU has not been updated. The major concern an outdated MoU is that it does not effectively reflect the roles of the different agencies, especially since the agencies have undergone several restructures since the agreement of the MoU.

IPART recognises that SCA has complied with the requirement to maintain a MoU with the relevant agencies. However, IPART also recognises that the functions of DECC have changed since the MoU was agreed. IPART will consult with SCA and DECC to determine the practicality of updating the MoU.



Appendices

A Risk based Audit Scope

Sydney Catchment Authority Operating Licence		2006/07 Audit Scope
3	BULK RAW WATER QUALITY	
3.1	Specific Water Characteristics	Audit (clauses 3.1.1 to 3.1.4)
3.2	Health-Related Water Quality Characteristics	Audit (only clause 3.2.1)
		Desk-top (clauses 3.3.2 to 3.2.4)
3.3	Obligations under 2000 Operating Licence	No requirement
3.4	Water Supplied for Water Treatment	Audit
3.5	Catchment and System Management	Audit
3.6	Water quality monitoring and reporting	Audit (clauses 3.6.1, 3.6.2, 3.6.7, 3.6.8, 3.6.11)
		Desk-top (clauses 3.6.3, 3.6.4 & 3.6.6)
3.7	Water Quality Planning - Water Quality Management Framework	Audit (clauses 3.7.1 to 3.7.5)
		Desk-top (clauses 3.7.6 to 3.7.11)
3.8	Environmental water quality	Audit
4	CATCHMENT MANAGEMENT AND PROTECTION	
4.1	SCA to Manage and Protect Catchment Areas	Audit (clauses 4.1.1 to 4.1.3)
4.2	Plans of Management - Special Areas	Audit (clauses 4.2.1 to 4.2.2)
4.3	Regional Environmental Plan	Audit (clauses 4.3.1 to 4.3.3)
4.4	State Environmental Planning Policy	Audit
4.5	Provision of Information	Desk-top

5	THE ENVIRONMENT	
5.1	Environment Plan	Audit (only clause 5.1.1)
		Desk-top (clauses 5.1.2 to 5.1.5)
5.2	Catchment and Environmental Performance Indicators	Audit (clauses 5.2.1 to 5.2.3)
6	MANAGEMENT OF CATCHMENT INFRASTRUCTURE WORKS AND WATER CONSERVATION	
6.1	Management of Catchment Infrastructure	Audit (clauses 6.1.1 & 6.1.2)
6.2	Management of Catchment Infrastructure Works	Audit (clauses 6.2.1 to 6.2.6)
6.3	Review of the Model	Desk-top
6.4	Water Conservation	Audit (only clause 6.4.3)
		Desk-top (clauses 6.4.1 & 6.4.2)
7	ASSET MANAGEMENT	
7.1	Asset Management Obligation	Desk-top
7.2	Reporting on the Management System of the Assets	No requirement
7.3	Auditing the Management System of the Assets	No requirement
8	CUSTOMERS	
8.1	Customer - Sydney Water Corporation	Desk-top
8.2	Customers - Other than Sydney Water Corporation	Desk-top (clauses 8.2.1 to 8.2.4)
8.3	Complaints	Desk-top (clauses 8.3.1 to 8.3.5)
8.4	Consultation	Desk-top (clauses 8.4.1 & 8.4.2)
9	PRICING	
9.1	Sydney Water Corporation	Desk-top
9.2	Wingecarribee Shire Council and Shoalhaven City Council	Desk-top
9.3	Complaints	Desk-top
11	ANNUAL AUDIT OF THE LICENCE	
11.2.1(b)	the SCA's compliance with its obligations under each Memorandum of Understanding referred to in clause 2.3;	Desk-top

B | Final Audit Report – Halcrow Pacific Pty Ltd

Independent Pricing and Regulatory Tribunal (IPART)



2007 Operational Audit of
Sydney Catchment Authority

Audit Report

December 2007

Halcrow
Halcrow Pacific Pty Ltd

Halcrow

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Independent Pricing and Regulatory Tribunal (IPART)

2007 Operational Audit of Sydney Catchment Authority

2nd Draft Audit Report

December 2007

Contents Amendment Record

This report has been issued and amended as follows:

Issue	Revision	Description	Date	Prepared by	Checked by	Authorised by
1	0	1 st Draft Audit Report	01 October 2007	AJS	DF	
2	0	2 nd Draft Audit Report	11 November 2007	JOS	DF	
2	1	2 nd Draft Audit Report	27 November 2007	JOS	DF	
3	0	Audit Report	4 December 2007	JOS	DF	JOS

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Compliance Assessment Guide

The compliance ratings used for this Operational Audit are the same as those used in the 2005-06 Operational Audit of the SCA. These ratings were chosen so as to enable the comparison, where possible, of awarded ratings. The ratings used were:

- | | |
|-----------------------------------|---|
| • Full compliance | All requirements of the clause have been met. |
| • High compliance | Most requirements have been met with some minor technical failures. |
| • Medium compliance | The major requirements of the clause have been met. |
| • Low compliance | The key requirements have not been met, however some minor achievements towards compliance have been made. |
| • Insufficient Information | The relevant information was not available to make an informed assessment of compliance. Additional information would be required to award a compliance rating. |
| • Non compliance | The requirements of the clause have not been met. |
| • Not Auditable (NA) | The requirements of the clause are not auditable at this stage as the date for implementing the requirements lies outside the audit period or the requirements are related to a clause that is not auditable. |

Executive Summary

Background

Halcrow Pacific Pty Ltd (Halcrow) was engaged by the Independent Pricing and Regulatory Tribunal (IPART) to undertake the 2006/2007 Operational Audit of the Sydney Catchment Authority (SCA).

The requirement to undertake an Operational Audit is specifically contained within Part 11 of the current *Operating Licence for the Sydney Catchment Authority*, which was renewed on 8 February 2006, commenced in April 2006 and is scheduled to cease on 30 June 2010.

This 2006/2007 Operational Audit covers the operational period from 1 July 2006 to 30 June 2007 (audit period) and is the eighth audit of the SCA since it commenced operation in July 1999. Compliance has been assessed in respect to the requirements of the 2006-2010 Operating Licence for the SCA.

IPART has identified a number of key issues for consideration arising out of previous audits and the requirements of the 2006-2010 Operating Licence. These include:

- risk based audit to be introduced;
- inter-basin transfer raw water quality management;
- storm event raw water quality management including limnology studies of Warragamba Dam and Prospect Reservoir; and
- conductivity fluctuation generally – environmental management.

Under the risk based approach, the Audit has been undertaken in two (2) parts, as follows:

- Operating Licence requirements requiring detailed assessment and interview of the SCA's representatives – audited by Halcrow; and
- Operating Licence requirements requiring desk top assessment – reviewed by the IPART Secretariat.

This report addresses the Operating Licence requirements that have been audited by Halcrow.

Compliance Assessment

A summary of compliance in respect to the Operating Licence requirements assessed under this component of the Audit is presented in **Table E.1**. Summary comments regarding the overall compliance in respect to each Part of the Operating Licence are provided following, together with some general comments.

Table E.1 Summary of SCA's Performance in meeting Operating Licence Requirements Audited by Halcrow

Licence Clause	Summary of Requirement	Compliance Rating
3	Bulk Raw Water Quality	
3.1	Specific Water Characteristics	
3.1.1	Compile list of Specific Water Quality Characteristics	Full
3.1.2	Monitor and report the list of Specific Water Quality Characteristics	Full
3.1.3	Provide a copy of the list of Specific Water Quality Characteristics to IPART; make the list available to the public	Full
3.1.4	If the SCA, NSW Health and Sydney Water cannot agree on the lists of Specific Water Quality Characteristics, SCA must accept the list of Specific Water Quality Characteristics determined by NSW Health	NA
3.2	Health Related Water Quality Characteristics	
3.2.1	Compile a list of Health Related Water Quality Characteristics	Full
3.2.2	Monitor and report the list of Health Related Water Quality Characteristics	Full
3.3	Obligations under 2000 Operating Licence	
3.3	Until the SCA has compiled lists of Specific Water Quality Characteristics under Clause 3.1.1 and Health Related Water Quality Characteristics under Clause 3.2.1, SCA must comply with its obligations under the 2000 Operating Licence	NA
3.4	Water Supplied for Treatment	
3.4	In relation to the supply of Bulk Raw Water, the SCA must comply with the following:	
3.4(a)	the concentration or level of Health Related Water Quality Characteristics must not exceed the health guideline values in the Australian Drinking Water Guidelines 2004	Full
3.4(b)	where necessary the SCA must agree with Customers on strategies to ensure treated water consumed by humans is not harmful to health	Full
3.5	Catchment and System Management	
3.5	SCA must comply with the Australian Drinking Water Guidelines 2004 relating to the management of the Catchments Area and the Catchments Infrastructure Works	Full
3.6	Water Quality Monitoring and Reporting	
3.6.1(a)	SCA must maintain a routine water quality monitoring program for Bulk Raw Water supplied to Customers	Full
3.6.1(b)	SCA must maintain a targeted, investigative and event based monitoring of the water in the Catchment Areas and the SCA's Water Storages	Full
3.6.2	The routine monitoring program must include any other characteristics nominated by NSW Health, and effective QA system and detail of sampling locations and frequencies	Full

Licence Clause	Summary of Requirement	Compliance Rating
3.6.5	SCA must, within 18 months of the Commencement Date, develop a strategy and timeframe to further improve its Monitoring Program	NA
3.6.7	The nature, features and results of the Monitoring Program must be provided to IPART by 30 November each year	Full
3.6.8	The information in the report to IPART must include specific nominated information	Full
3.6.10	SCA must provide IPART with a report that analyses trends in water quality by 30 November 2007 and 30 November 2009	NA
3.6.11	Information provided to IPART under Clause 3.6.10 must be made available to the public	NA
3.7	Water Quality Planning	
3.7.1	SCA must implement a Water Quality Management Framework within 12 months of the Commencement Date	Full
3.7.2	The purpose of the Water Quality Management Framework is to identify and manage risks to the quality of the Bulk Water supplied to customers	Full
3.7.3	In order to meet the purpose set out in Clause 3.7.2, the Water Quality Management Framework must fulfil specific nominated requirements	Full
3.7.4	In developing the Water Quality Management Framework, the SCA must:	
3.7.4(a)	apply AS/NZS 4360:2004 to the quality of Bulk Raw Water supplied to its Customers	Full
3.7.4(b)	apply AS/NZS 4360:2004 to develop risk action plans	Full
3.7.4(c)	Consider the benefits and costs of different management options	Full
3.7.5	SCA must engage in public consultation in developing the Water Quality Management Framework, and must specifically seek comments from IPART, NSW Health, DEC [now DECC] and DNR [now DWE]	Full
3.8	Environmental Water Quality	
3.8	The SCA must meet environmental water quality requirements for any discharges or water releases required under licences issued by DEC [now DECC] or DNR [now DWE]	Full
4	Catchment Management and Protection	
4.1	SCA to Manage and Protect Catchments	
4.1.2	By 30 November each year, the SCA must provide information to IPART on its catchment management and protection activities, to enable IPART to consider the matter as part of the Annual Audit	Full
4.1.3	The information provided to IPART must:	
4.1.3(a)	for each catchment management and protection activity or program, be in a format and content to be agreed between the SCA and IPART; and include specific nominated information	High Full
4.1.3(b)	identify program activities which responded to the findings of the Annual Audit, Catchment Audit, or the SCA's research or monitoring	Full
4.1.3(c)	explain any annual changes in catchment management and protection activities or programs and expenditure	High
4.1.3(d)	include the SCA's compliance with any Plan of Management	Full

Licence Clause	Summary of Requirement	Compliance Rating
4.2	Plans of Management – Special Areas	
4.2.1	The SCA must give effect to any Plan of Management and consult with the National Parks and Wildlife Service of the DEC [now DECC]	Full
4.2.2	The SCA must review any Plan of Management with the National Parks and Wildlife Service of the DEC [now DECC] at least once every five years	Full
4.3	Regional Environment Plan	
4.3.1	The SCA must comply with obligations imposed on it under the Regional Environment Plan (REP)	High
4.3.2	The SCA must promote implementation and awareness of the REP	Full
4.3.3	The SCA must provide information on its compliance with the REP to IPART by 1 September each year	Full
4.4	State Environmental Planning Policy	
4.4	The SCA must comply with any obligations imposed on it under the State Environmental Planning Policy 58	High
5	The Environment	
5.1	Environmental Plan	
5.1.1	The SCA must prepare a draft Environment Plan by 30 April 2006 and a final Environment Plan by 1 September 2006. The final Environment Plan must be made available to the public	Full
5.2	Catchment and Environmental Performance Indicators	
5.2.1	The SCA must monitor, record, compile data and provide information on the Catchment and Environmental Performance Indicators	Full
5.2.2	By 30 November each year, the SCA must provide information on its performance against the Catchment and Environmental Performance Indicators	Full
5.2.3	The information referred to in Clause 5.2.2 must be provided in relation to each sub-catchment, must be provided in a manner that enables year to year comparison and must be accompanied by an analysis of trends	High
6	Management of Catchment Infrastructure Works and Water Conservation	
6.1	Management of Catchment Infrastructure Works	
6.1.1	The SCA must manage and operate the Catchments Infrastructure Works to minimise risk to human health from the Bulk Raw Water it supplies	Full
6.1.2	The SCA must operate and manage the Catchment Infrastructure Works consistent with the Design Criteria	Full
6.2	Water Supply System Yield	
6.2.1	Within 12 months of the Commencement Date, the SCA must report to IPART on the current Water Supply System Yield including assumptions made and details of any material changes to the Design Criteria	Full
6.2.2	The SCA must provide the Minister with a copy of the report prior to reporting to IPART	Full
6.2.3	The SCA must make the report publicly available	High
6.2.4	The SCA must recalculate the Water Supply System Yield on the occurrence of any one or more of the following events – drought; modification or augmentation of Works, and/or; changes to operating rules or Design Criteria	NA
6.2.5	The SCA must advise the Minister of any changes to the Water Supply Yield following recalculation	NA

Licence Clause	Summary of Requirement	Compliance Rating
6.2.6	The SCA must make changes to the Water Supply System Yield available to the public	NA
6.4	Water Conservation	
6.4.3	Within 12 months from the Commencement Date, the SCA must produce a report which recommends appropriate actions and timeframes for the SCA to manage leakage and loss activities, and to make that report available to the public	Full

Part 3 – Bulk Raw Water Quality

The Audit process identified FULL compliance for all auditable requirements within Part 3 of the Operating Licence, which addresses Bulk Raw Water Quality. A total of twenty six (26) requirements were assessed, five (5) of which were deemed to be NOT AUDITABLE, either because the requirement had not fallen due during the Audit Period or was dependent upon a particular action that had not occurred.

The Audit revealed that there is a need for the SCA to continue consultation with NSW Health in respect to the removal of ‘turbidity’ from the list of Health Related Water Quality Characteristics (refer Clause 3.4(a)). Alternatively, a revision of the requirements of the Clause could be considered.

The Audit also revealed that there is some confusion in respect to the intent of Clauses 3.7.4(b) and 3.7.4(c), and it may be appropriate for IPART to issue a formal clarification.

Part 4 – Catchment Management and Protection

The Audit process identified a strong level of compliance in respect to Part 4 of the Operating Licence, which addresses Catchment Management and Protection, with eight (8) of the twelve (12) requirements rated as FULL compliance and the remaining four (4) rated as HIGH compliance.

HIGH compliance ratings were assigned in respect to Clauses 4.1.3(a) and 4.1.3(c) as the final *Sydney Catchment Authority Catchment Management and Protection Activities Report 2005-06* does not incorporate IPART’s comments in respect to the format and content of the report. Furthermore, it is considered that the SCA could have been more proactive in gaining IPART’s comments on the draft Report, which would have enabled their incorporation into the final Report.

HIGH compliance ratings were also assigned in respect to Clauses 4.3.1 and 4.4, primarily due to the continued absence of any formal notification link between the SCA and Councils in respect to development applications. This issue was raised during the 2005-06 Operational Audit, and has in part been addressed by the introduction of the Regional Environment Plan (REP) and the introduction of Section 117 Ministerial Direction which requires Councils to implement Local

Environment Plans (LEPs). The requirements of Clause 4.3.1 should be further assessed once the REP and LEPs have been fully implemented to review the effectiveness of these new instruments. It is noted that the requirements of Clause 4.4 ceased after 31 December 2007, when SEPP 58 was replaced by the REP.

Part 5 – The Environment

The Audit process again identified a strong level of compliance in respect to Part 5 of the Operating Licence, which addresses The Environment. Of the four (4) requirements assessed, three (3) were rated as FULL compliance and one (1) as HIGH compliance.

The HIGH compliance rating was assessed in respect to Clause 5.2.3 as information presented by the SCA on its performance in respect to the Catchment and Environmental Performance Indicators was found to be disjointed.

Part 6 – Management of Catchment Infrastructure Works and Water Conservation

The Audit process also identified a strong level of compliance in respect to Part 6 of the Operating Licence, which addresses Management of Catchment Infrastructure Works and Water Conservation. A total of nine (9) requirements were assessed, five (5) of which were rated as FULL compliance, one (1) was rated as HIGH compliance and the remaining were assessed as being NOT AUDITABLE as recalculation of the Water Supply System Yield was not triggered during the Audit Period.

The HIGH compliance rating was assessed in respect to Clause 6.2.3 as the report on the Water Supply System Yield was not made public available as soon as practicable (a period of four (4) months had elapsed after submission of the report to IPART).

General Comments

The Audit process identified an area for potential improvement which relates to:

- the manner in which documents are submitted by the SCA to IPART when such submission is required in accordance with the Operating Licence; and
- the manner in which the receipt of such submissions are acknowledged by IPART.

There were some instances where it was difficult to verify with certainty the timing of a submission, partly because submissions (including undated covering letters) had been made via email transmittal and copies of signed and hand dated covering letters were provided as evidence. It is considered that the development of formal protocols for the submission of information to IPART, and the acknowledgement of receipt of such information by IPART, would be beneficial.

SCA Performance Comparison 1999/00 – 2006/07

The 2006-2010 Operating Licence was the result of a comprehensive update and revision from the previous 2000-2004 Operating Licence. Changes between the current Licence and the previous Licence included:

- removal of obsolete clauses;
- addition of new requirements;
- consolidation of requirements; and
- revised wording for requirements.

The changes in the current Operating Licence make a direct performance comparison of the SCA's compliance, as reported in the previous operational audits, difficult, however, a general comparison on the SCA's ongoing performance was undertaken in the 2005-06 Operational Audit by undertaking a detailed review of the clauses included in the previous and the current Operating Licence. The SCA's compliance ratings for the 2005-06 Operational Audit have now become the basis for comparison in future audits.

Table E.2 shows the Licence clauses that are similar in the previous and the current Operating Licences and provides a comparison of performance over the period from 1999/2000 to 2006/2007.

Table E.2 Comparison of SCA's Performance in meeting Operating Licence Requirements from 1999/2000 to 2006/2007

Licence Clause	Summary of Requirement	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01	1999/00
2 SYDNEY CATCHMENT AUTHORITY'S RESPONSIBILITIES									
2.3 Memoranda of Understandings									
2.3.1	Maintain MoUs for Licence term	#	High	High	Full	High	High	Full	Full
2.3.2	MoU to form basis of co-operative relationships with:								
	- NSW Health	#	Full	Full	Full	Full	Full	Full	Full
	- WAMC	#	Low	Low	Partial	Partial	High	Full	Full
	- EPA	#	High	Full	Full	Full	High	Partial	Full
3 BULK RAW WATER QUALITY									
3.5 Catchment and System Management									
	Comply with the Australian Drinking Water Guidelines 2004	Full	Full	Full	Full	Full	Full	Full	High
3.6 Water quality monitoring and reporting									
Water quality monitoring									
3.6.1	Maintain a water quality monitoring program that comprises:								
	- routine monitoring of the quality of Bulk Raw Water for Water Treatment:	Full	NA	Full	Full	Full	Full	Full	Full
	- targeted, investigative and event based monitoring of the water	Full	Full	Full	Full	Full	Full	High	Full

Licence Clause	Summary of Requirement	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01	1999/00
3.6.3	SCA must provide:								
	- results of the routine monitoring required under Clause 3.6.2 the first three points to the Customers	#	Full	Full	Full	Full	Full	Partial	NR
	- result of routine monitoring required under Clause 3.6.2 the second & third point to NSW Health	#	Full	Full	Full	Full	Full	Partial	NR
3.6.6	Maintain a database(s) for the routine, targeted, investigative and event based monitoring	#	Full	Full	Full	Full	Full	Full	Full
Reporting									
3.6.7	Nature, features and results of the Monitoring Program provided by 30/11 each year	Full	NA	Full	Full	Full	Full	Full	Full
3.6.8	Information provided must, in addition to the information required under Clause 3.6.3, also contain the information listed in this clause.	Full	NA	Full	High	Full	Full	Partial	Full
3.6.11	Make information available and free of charge to the public	NA	NA	Full	Full	Full	Full	Full	Full
3.7 Water quality planning									
Incident Management Plan (IMP)									
3.7.7	IMP to minimise human health risk	#	Full	Full	Full	Full	Full	Full	Full
3.7.10	IMP to contain procedures for management of water incidents	#	Full	Full	Full	Full	Full	Full	Full
3.7.11	Requirements of IMP for advising stakeholders of risk	#	Full	Full	Full	Full	Full	Full	Full
3.8 Environmental water quality									
	Meet the environmental water quality requirements of DEC or DNR	Full	NA	NR	NR	NR	NR	NR	Partial
4 CATCHMENT MANAGEMENT AND PROTECTION									
4.2 Plans of Management - Special Areas									
4.2.1	Give effect to any Plan of Management and consult with the National Parks and Wildlife Service (NPWS) of the DEC	Full	Full	Moderate	Partial	High	High	Partial	Partial
4.2.2	Review Plan of Management with the DEC every five years	Full	Full	NR	NR	NR	NR	Full	Full
4.3 Regional Environmental Plan									
4.3.1	Compliance required with REP	High	NA	NR	NR	NR	NR	NR	NR
4.3.2	Promotion of REP including stakeholder education	Full	Full	NR	NR	NR	NR	NR	NR
4.4 Environmental Planning Policy (SEPP)									
	Comply with SEPP 58	High	High	High	High	High	High	High	High
4.5 Provision of Information									
	Provide information to publish on its website and keep up-to-date the following:								
4.5(a)	a list of information on water quality relevant to the Catchment Area and provide links to the public	#	Full	Low	Low	Low	Partial	High	High

Licence Clause	Summary of Requirement	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01	1999/00
4.5(b)	a list of the SCA's unpublished river health data and provide advice on how that information can be accessed by the public	#	Full	High	Low	Low	Low	Partial	Partial
5 THE ENVIRONMENT									
5.1 Environment Plan (EP)									
5.1.1	Prepare draft EP by 30/04/06, final by 01/09/06	Full	Full/NA	NR	NR	NR	NR	Full	NR
5.1.2	Public consultation required to develop draft and final EP	#	Full	NR	NR	NR	NR	Full	High
5.1.3	EP must::								
	- contain details of SCA's environmental management and programs to manage and minimise the environmental impacts	#	NA	NR	NR	NR	NR	Full	NR
	- incorporate environmental improvement targets and timetables	#		NR	NR	NR	NR	Partial	NR
6 MANAGEMENT OF CATCHMENT INFRASTRUCTURE WORKS AND WATER CONSERVATION									
6.1 Management of Catchment Infrastructure Works									
6.1.1	Manage infrastructure to minimise human health risks	Full	Full	Full	Full	Full	Full	Full	Partial
8 CUSTOMERS									
8.1 Customer – Sydney Water Corporation									
	SCA acknowledges that it has entered into a Bulk Water Supply Agreement with Sydney Water in compliance with its obligations under s22 of the Act	#	Full	Full	Full	Full	Full	Full	Full
8.2 Customers – other than Sydney Water Corporation									
8.2.1	Establish terms and conditions of supply applying to all its Customers for the supply of Bulk Raw Water to those Customers	#	High	Moderate	High	High	Full	High	Partial
8.2.4	SCA must advise the Customers in Clause 8.2.1 and Clause 8.2.3 of the potential uses for the Bulk Raw Water it supplies and of the need for Water Treatment if the water is to be used for human consumption	#	Medium	Moderate	High	High	High	Partial	Partial
8.3 Complaints									
8.3.1	Establish internal complaints handling	#	Full	Full	Full	Full	High	Full	Full
8.3.2	Complaints handling to be based on Australian Standard	#	Full	Moderate	Partial	Partial	Partial	Insuff info	Partial
8.3.3	Make available customer handling information	#	Full	Full	High	High	Full	Full	Partial
8.3.4	Provide information every two years and make available to the public free of charge	#	Full	Moderate	Full	Full	Full	Full	Partial

Licence Clause	Summary of Requirement	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01	1999/00
8.3.5	Provide information by 01/09 each year on the following details concerning complaints made against the SCA:	#	Medium	Low	Low	Partial	High	Insuff info	Partial
	- number and types of complaints received								
	- number and type of complaints resolved or not resolved								
	- 20 or more complaints on a similar or related problem or issue received								

Note:

indicates that the clause was not included in the scope of this Audit.

The SCA's performance ratings from 1999-2000 to 2005-2006 were sourced from the 2005-2006 Operational Audit report.

Stakeholder Consultation

Comments gained from key stakeholders, including Sydney Water Corporation, the Department of Water and Energy (DWE), the Department of Environment and Climate Change (DECC), NSW Health, Shoalhaven City Council and the Wingecarribee Shire Council generally indicate that the SCA has met its Operating Licence obligations. Furthermore, these stakeholders have generally been satisfied with the performance of and their relationships with the SCA.

Notwithstanding, some opportunities for improvement have been suggested, specifically by the Department of Water and Energy in respect to reporting of water quality monitoring results.

Summary of Key Recommendations and Comments

A number of recommendations and comments are provided in response to observations made during the Audit process. It is anticipated that they may lead to improved performance and/or compliance with the requirements of the Operating Licence.

These recommendations and comments, grouped in respect to the relevant parts of the Operating Licence, are as follows:

- Part 3 – Bulk Raw Water Quality:

It is recommended that:

- the SCA continue consultation with NSW Health in respect to removal of 'turbidity' from the list of Health Related Water Quality Characteristics (and adding it to the list of Specific Water Quality Characteristics);

- consideration be given (at the next appropriate opportunity) to revising Clause 3.4(a) of the Operating Licence to refer to target water quality values nominated in the various supply agreements between the SCA and its Customers instead of the Australian Drinking Water Guidelines (ADWG) 2004; and
 - IPART issue a formal clarification in respect to the intent of the requirements of Clauses 3.7.4(b) and 3.7.4(c) of the Operating Licence.
- *Part 4 – Catchment Management and Protection:*

It is recommended that the requirements of Clause 4.3.1 be further assessed, once the Regional Environment Plan (REP) and Local Environment Plans (LEPs) have been fully implemented, to review the effectiveness of these new instruments in respect to the monitoring and control of development applications.
- *General:*

It is recommended that the SCA and IPART develop formal protocols for:

 - the submission of information by the SCA to IPART; and
 - the acknowledgement of receipt of such information by IPART.

1 Introduction

1.1 Background

Halcrow Pacific Pty Ltd (Halcrow) was engaged by the Independent Pricing and Regulatory Tribunal (IPART) to undertake the 2006/2007 Operational Audit of the Sydney Catchment Authority (SCA).

The requirement to undertake an operational audit is specifically contained within Part 11 of the current *Operating Licence for the Sydney Catchment Authority* which was renewed on 8 February 2006 and is scheduled to cease on 30 June 2010.

This 2006/2007 Operational Audit covers the operational period from 1 July 2006 to 30 June 2007 (audit period) and is the eighth audit of the SCA since it commenced operation in July 1999. The requirements of the current 2006-2010 Operating Licence commenced in April 2006.

IPART has also identified a number of key issues, arising out of previous audits and the new requirements of the 2006-2010 Operating Licence, that require special consideration in the audit process. These include:

- risk based audit to be introduced catchment management;
- inter –basin transfer raw water quality management;
- storm event raw water quality management including limnology studies of Warragamba Dam and Prospect Reservoir; and
- Conductivity fluctuation generally – environmental management.

This Audit Report is structured in a way so that the operational requirements IPART has identified for review are presented in the same order as they are listed in the Operating Licence.

1.2 Sydney Catchment Authority

The Sydney Catchment Authority (SCA) was established in July 1999 by the NSW Government in response to a series of water quality incidents in Sydney the previous year. The subsequent ‘McClellan Inquiry’ into the incidents recommended that an independent agency be established to protect water quality in the catchment areas that provide Sydney, Wollongong and the Blue Mountains with bulk raw water. The SCA was subsequently established by the *Sydney Water Catchment Management Act 1998* which set out the foundations for the SCA and detailed the roles and responsibilities of the new organisation.

The SCA now manages the water supply catchments providing bulk raw water to almost four million customers, 60% of New South Wales' population. The bulk raw water storages and infrastructure and many of the management and operational functions related to the supply of bulk raw water were also transferred from the Sydney Water Corporation (Sydney Water) to the SCA.

The SCA is responsible for a geographic area covering more than 16,000 square kilometres. The area extends from north of Lithgow to the source of the Shoalhaven River near Cooma in the south, and from Woronora in the east to the source of the Wollondilly River, west of Goulburn.

The SCA's area of operations is shown in **Figure 1.1**. A schematic representation of the water storages and infrastructure under the control of the SCA is shown in **Figure 1.2**. Finally, **Figure 1.3** shows the current organisational structure of the SCA.

1.3

Independent Pricing and Regulatory Tribunal

The Independent Pricing and Regulatory Tribunal (IPART) is an independent body that oversees regulation of the water, gas, electricity and public transport industries in New South Wales. IPART was established by the New South Wales State Government in 1992 with the primary purpose to regulate the maximum prices charged for monopoly services provided by government utilities and other monopoly businesses.

On 1 November 2000, the *Independent Pricing and Regulatory Tribunal and Other Legislation Amendment Act 2000* commenced and under Schedule 1 of the Act, the Operational Audit function of the original Licence Regulator was transferred to IPART.

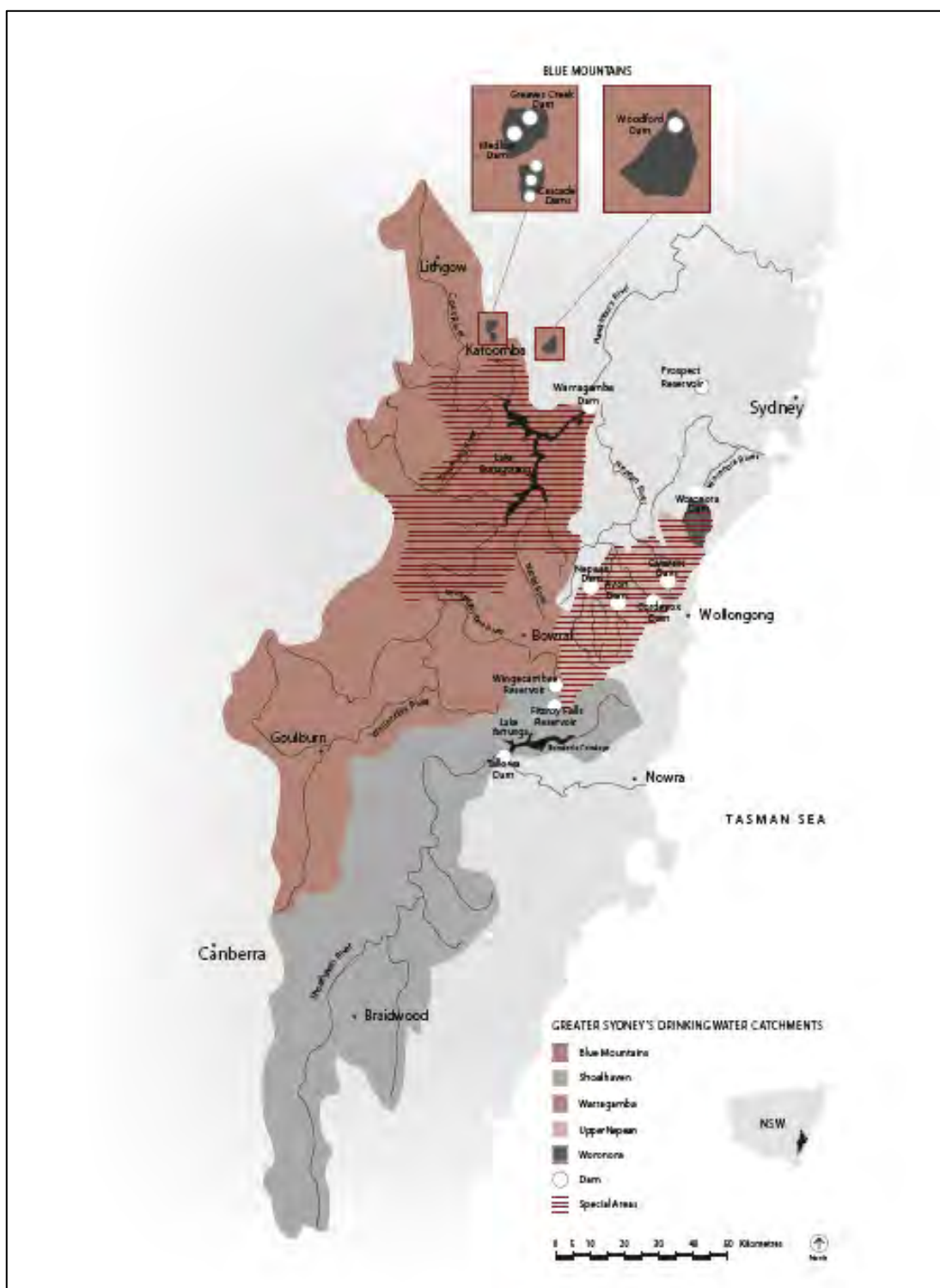


Figure 1.1: Sydney Catchment Authority of Operations

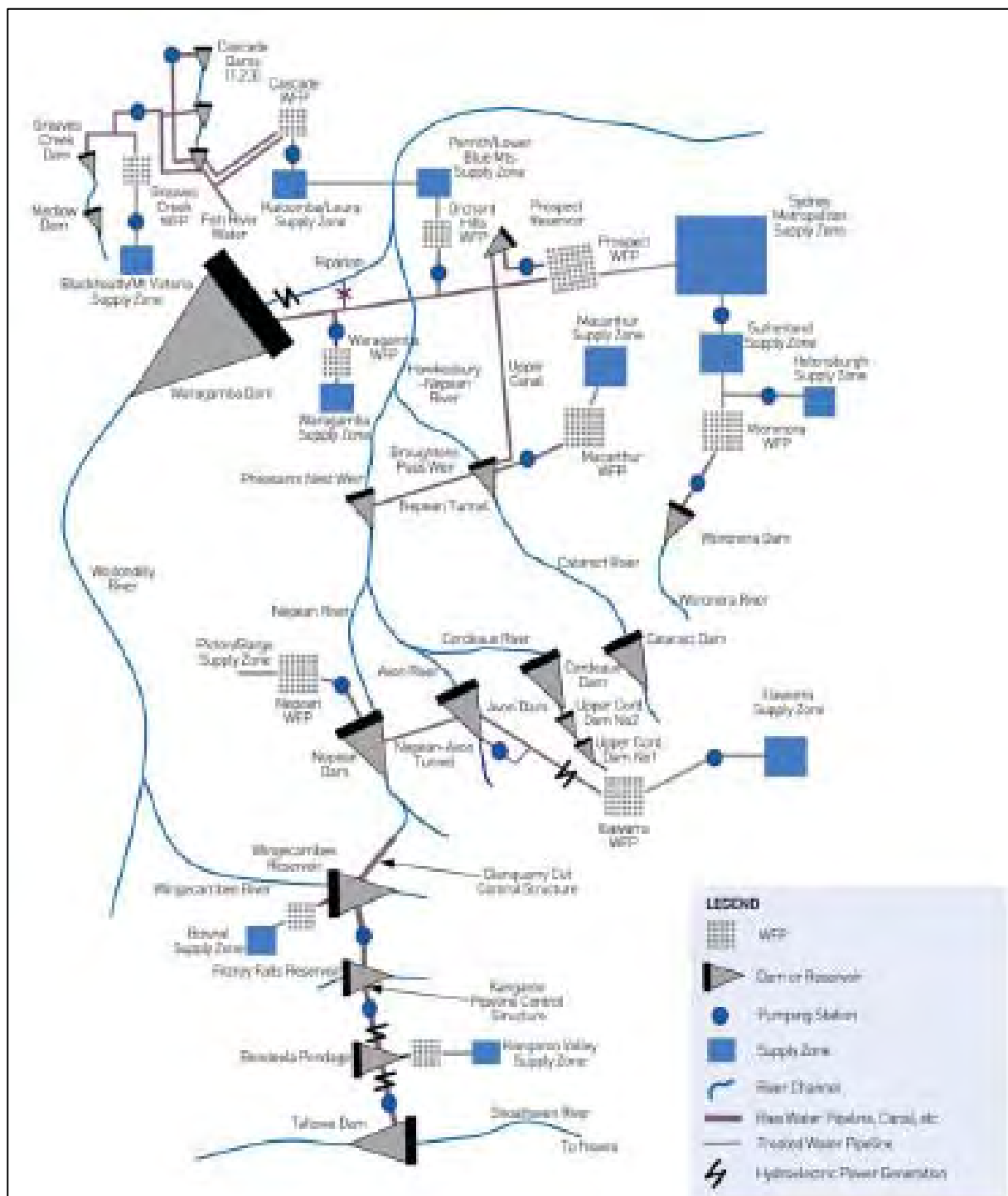
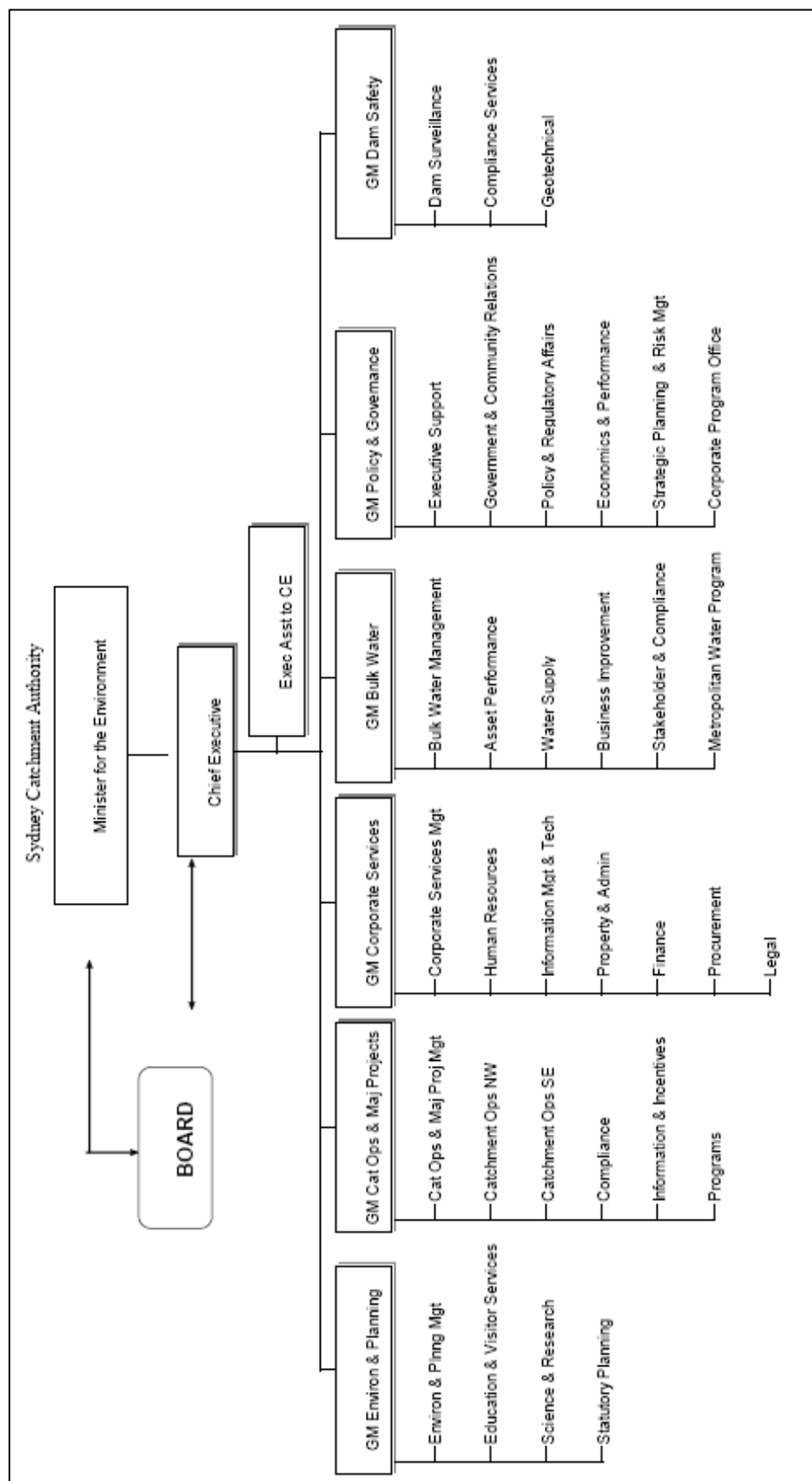


Figure 1.2: Schematic Representation of SCA Water Supply System

Figure 1.3: Sydney Catchment Authority Organisational Structure



2 Audit Methodology

2.1 Audit Scope

The requirement for and the scope of the Operational Audit is clearly defined in Part 11 of the 2006-2010 Operating Licence and particularly Clause 11.2:

“IPART or the person undertaking the Annual Audit may investigate and prepare a report on any or all of the following:

- a) compliance by the SCA with its obligations in each of Parts 3,4,5,6,7,8 and 9 [of the Operating Licence];*
- b) the SCA’s compliance with its obligations under each Memorandum of Understanding referred to in Clause 2.3 [of the Operating Licence]; and*
- c) any other matter required by the Licence, the Act or administrative direction to be assessed and considered as part of the Annual Audit.”*

The Operating Licence for Sydney Catchment Authority now provides that the Operational Audit may be undertaken using a risk based approach. IPART has decided to adopt a risk based approach for this 2006-07 audit. Risk based audits allow for the consideration of the Sydney Catchment Authority’s compliance against the Operating Licence using one of the two methods:

- desktop assessment based on written submissions from the SCA signed by the Chief Executive; and/or
- interview assessment which involves detailed face to face audit interviews with the SCA with supporting documentation provided and reviewed.

IPART has identified the specific clauses in the Operating Licence that will be assessed using each of these two methods and this was documented in the Operational Audit Brief, as presented in **Appendix A**.

This Operational Audit Report has been structured so as to meet the interview assessment scope, and **Table 2.1** provides an outline of where compliance against each relevant part of the Operating Licence has been assessed in this report.

Table 2.1: Scope of Operational Audit

Licence Part	Requirements	Report Section
Part 3: Bulk Raw Water Quality	Specific and health related water quality characteristics; quality of water supplied for treatment; catchment and system management; water quality monitoring and reporting; water quality planning; and environment water quality.	Section 5
Part 4: Catchment Management and Protection	Catchment management responsibilities; Special Areas Plans of Management; Regional Environment Plan; State Environmental Planning Policy; and the provision of information.	Section 6
Part 5: The Environment	Environment plan and catchment and environmental performance indicators.	Section 7
Part 6: Management of Catchment Infrastructure Works and Water Conservation	Management of catchment infrastructure works, Water Supply System Yield model, review of the model and water conservation measures.	Section 8

The audit of Sydney Catchment Authority's performance against the Operating Licence was restricted to actions undertaken and processes developed during a set period of time, ie from 1 July 2006 to 30 June 2007, which is defined as the Audit Period. Where requirements in the Operating Licence state that a report/plan/program must be completed on a date that is outside the audit period, the SCA's progress in achieving this date over the audit period was assessed, however, a compliance rating was not assigned except where a report was required in respect to activities undertaken within the Audit Period.

As mentioned previously, IPART has also identified a number of key issues, arising out of previous audits and the new requirements of the 2006-2010 Operating Licence, that require special consideration in the audit process. These include:

- risk based audit to be introduced catchment management;
- inter-basin transfer raw water quality management;
- storm event raw water quality management including limnology studies of Warragamba Dam and Prospect Reservoir; and
- Conductivity fluctuation generally – environmental management.

The detailed brief prepared by IPART for undertaking this Operational Audit, including the key issues listed above, has been included in **Appendix A** while a copy of the Operating Licence is provided in **Appendix B**.

2.2 ***Audit Tasks***

The Operational Audit was undertaken in a number of distinct stages and the tasks undertaken in each of these stages are briefly outlined below.

2.2.1 ***Project initiation***

This task involved the set up of the project, the collection and initial review of information provided by IPART and the SCA, and an inception meeting with IPART to review and confirm the requirements of the project. A separate inception meeting with both IPART and the SCA was also conducted prior to the commencement of interviews.

2.2.2 ***Operational Audit preparation***

The preparation for the audit involved reviewing the scope of the interview assessment as identified by IPART and preparing an audit checklist against these requirements.

2.2.3 ***Utility interviews & 1st draft Audit Report***

Interviews were then held with the SCA and an IPART representative was present throughout the interviews. The interviews were conducted at the SCA's Head Office in Penrith, on Wednesday, 12 September 2007 and Friday, 14 September 2007. The purpose of the interviews was to assess, in detail, the Authority's compliance against the requirements of the Operating Licence.

The audit checklist was used as a guide, however, the interviews were generally scheduled around the availability and particular responsibilities of key staff within the SCA. The agenda for the interviews and edited copies of the Auditor's notes from the interviews are presented for reference in **Appendix C**.

The notes from the interviews and supporting documentation provided by the SCA were used to develop the 1st draft Audit Report.

2.2.4 ***Utility compliance assessment & 2nd draft Audit Report***

The initial assessment of compliance of the 1st draft Audit Report was then reviewed in detail with the supporting documentation provided by the SCA and comments provided by the SCA in respect to the 1st draft Audit Report.

The detailed assessment of compliance also investigated the progress of the SCA in responding to and implementing recommendations made in previous audits.

This stage of the audit also took into account comments received from key stakeholders and invited community representatives. Agencies with which the SCA must interact and cooperate in meeting the requirements of the Operating Licence were contacted and requested to comment in respect to the SCA's performance in meeting the relevant requirements. In addition, several of the SCA's key customers were also contacted and requested to provide comment in

respect to the SCA's performance in meeting the requirements of the Operating Licence.

The findings of this more detailed assessment of compliance were incorporated into the 1st draft Audit Report and the 2nd draft Audit Report was produced. The SCA will be provided with a formal review period during which to comment on the findings of the 2nd draft Audit Report. On the basis of recommendations arising out of previous audits, the SCA's Chief Executive must now sign off on the comments provided in respect to the 2nd draft Audit Report.

2.2.5

Prepare final Audit Report

Comments provided in respect to the 2nd draft Audit Report have been incorporated into the assessment process and a presentation has been made to the Tribunal on the findings of the Operational Audit. Comments made by the Tribunal have also be incorporated into the assessment process and the final Audit Report prepared for submission to IPART. The final Audit Report will then be advertised for public comment prior to review as required and submission to the Minister.

2.3

Audit Team

The Audit Team for this project was made up of a core team of experienced water consultants coordinated by the Project Manager. The Audit Team is shown in **Figure 2.1**.

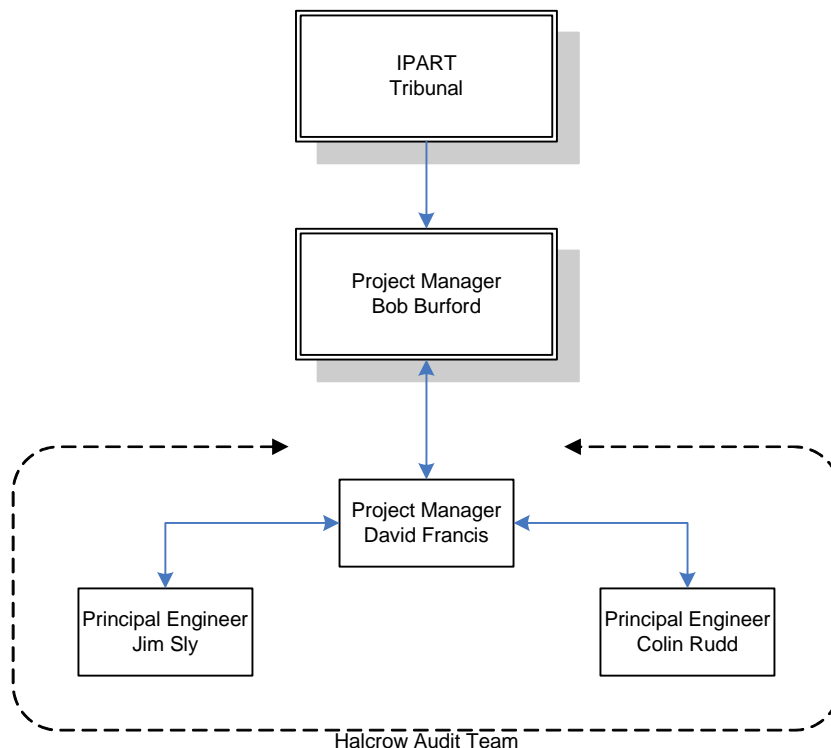


Figure 2.1 Audit Team Structure

2.4

Audit Report

The Audit Report has been developed with a relatively simple structure and is written in Plain English (where possible) with the balance of including sufficiently detailed information on the SCA's compliance with their requirements to gain a full understanding of compliance assessment process. As stated previously, the Audit Report has also been structured so as to mimic the order in which the various requirements are presented in the Operating Licence.

For each Part of the Operating Licence, the Report includes:

- *Overview of requirements* – summary of requirements listed in the Operating Licence.
- *Summary of findings* – a summary of the key requirements and compliance assessments.
- *Details of compliance* – detailed notes on each requirement in the Operating Licence and an assessment of compliance.
- *Discussion* – key areas of concern in the compliance assessment; factors affecting compliance; comments from key stakeholders.
- *Recommendations* – key and secondary recommendations.

3 Regulatory Framework

3.1 Introduction

The roles and responsibilities of the SCA are established under the *Sydney Water Catchment Management Act 1998* (the Act) and its associated regulations. The Act sets the parameters for the range of regulatory instruments that govern the SCA's operations including the Operating Licence. The SCA has specific obligations under the items of legislation set out in Clause 2.1 of the Operating Licence:

- *Protection of the Environment Operations Act 1997;*
- *Public Health Act 1991;*
- *Water Management Act 2000;*
- *Water Act 1912;*
- *Environment Planning and Assessment Act 1979;*
- *Independent Pricing and Regulatory Tribunal Act 1992;*
- *Dams Safety Act 1987;*
- *Fisheries Management Act 1994;* and
- *Public Finance and Audit Act 1985.*

The regulatory framework within which the SCA operates, is shown in **Figure 3.1** with brief descriptions of the key parts of the framework following.

3.2 Sydney Water Catchment Management Act 1998

The key legislative instrument under which the SCA operates is the *Sydney Water Catchment Management Act 1998* (the Act) and the SCA's responsibilities under the Act are clearly defined in the Operating Licence:

"The SCA's principal objectives under section 14(1) of the Act are:

- (a) to ensure that the Catchment Areas and the Catchment Infrastructure Works are managed and protected so as to promote water quality;*
- (b) to protect public health and public safety and the environment;*
- (c) to ensure that water supplied by it complies with appropriate standards of quality;*
- (d) where its activities affect the environment, to conduct its operation in compliance with the principles of ecologically sustainable development contained in section 6(2) of the Protection of the Environment Administration Act, 1991; and*
- (e) to manage the SCA's Catchment Infrastructure Works efficiently and economically and in accordance with sound commercial principles."*

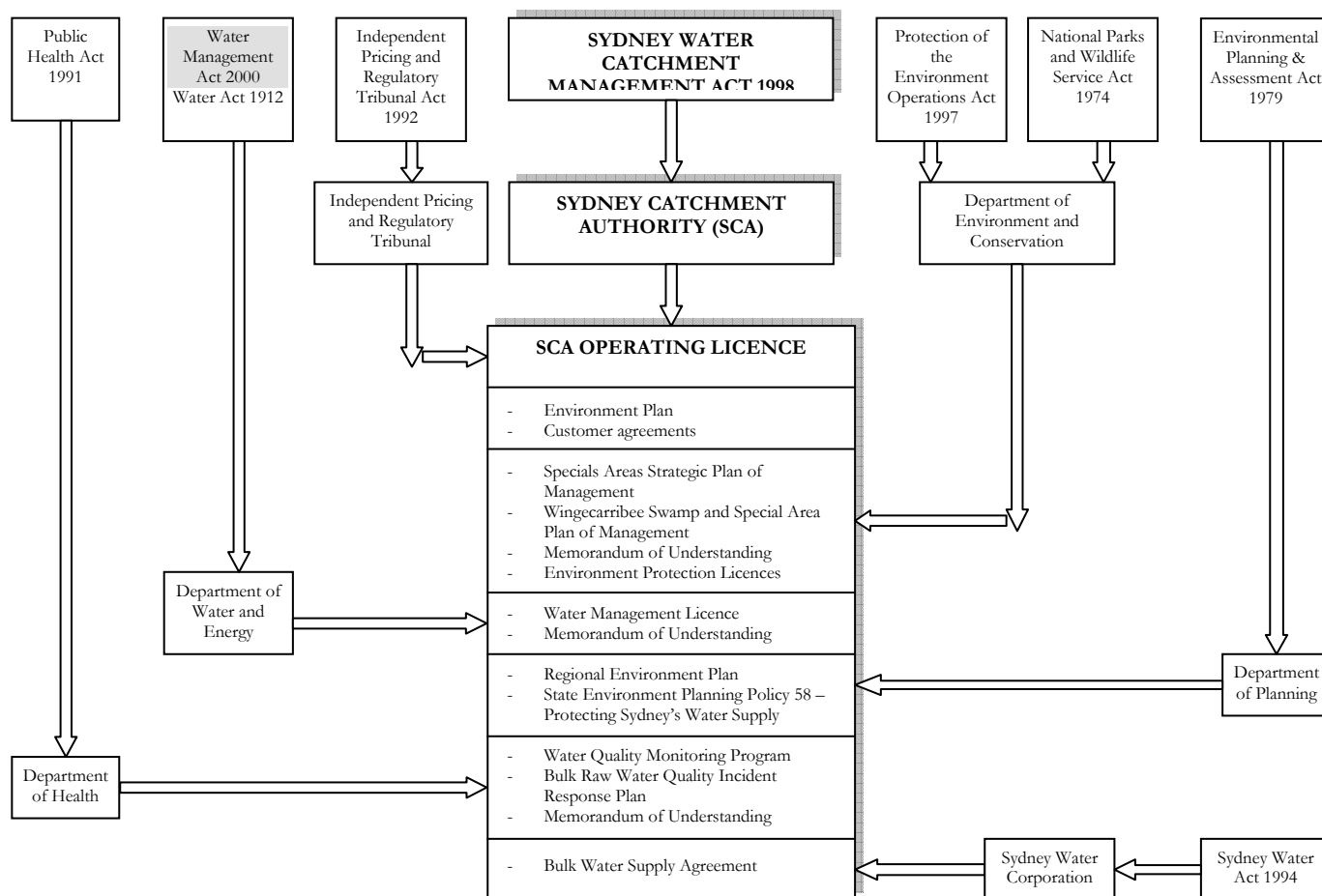


Figure 3.1: Schematic of SCA's Regulatory Framework

Note:

The SCA currently has no obligations under the Water Management Act 2000, however, with the impending implementation of Water Sharing Plans and the conversion of the SCA's 'Water Management Licence' to 'Access Licences' and 'Works and Use Approvals', the Act will remain a part of the SCA's Regulatory Framework.

In addition, the SCA has additional objectives under the Act:

"The SCA's special objectives under section 14(2) of the Act are:

- (a) Minimising risks to human health; and*
- (b) Preventing the degradation of the environment."*

Specific parts of the Act also set the framework for a number of other regulatory instruments that are either to be required in the Operating Licence or separately, as detailed below:

- Part 3 – arrangements with Sydney Water Corporation;
- Part 4 – development of an Operating Licence; development of Memoranda of Understanding; catchment monitoring; and performance indicators; and

- Part 5 – catchment management; special areas plans of management; catchment audits; and Regional Environmental Plan

The Act also outlines specific operational guidelines for the SCA including:

- the roles, responsibilities and objectives;
- general functions;
- area of operations;
- provision for the Sydney Catchment Management Fund;
- regulatory, licence and auditing functions of the Tribunal;
- Statement of Financial Framework;
- reporting to Parliament;
- provisions relating to works and land;
- offences and penalties; and
- the transfer of staff from Sydney Water Corporation.

3.3

Operating Licence

The operation of the SCA is governed by an Operating Licence which is issued under Section 25, Part 4 of the *Sydney Water Catchment Management Act 1998*. The Operating Licence sets out the primary roles and responsibilities under which the SCA will operate its business.

The purpose of the Operating Licence, as detailed in Part 1, Section 1.1 of the Licence, is to set out the terms and conditions under which the SCA is to:

- (a) *meet the objectives and other requirements imposed on it in the Act;*
- (b) *provide, construct, operate, manage and maintain efficient and co-ordinated viable systems and services for supplying Bulk Raw Water;*
- (c) *comply with the quality and performance standards required in the Licence or required to be developed under the Licence;*
- (d) *report against indicators on the ecological health of the Catchment Area and of the impact of its activities (including polluting activities);*
- (e) *recognise the rights given to Customers and the community by the Licence; and*
- (f) *be subject to the Annual Audit of compliance with the Licence.”*

The current Operating Licence was issued on 8 February 2006 (commencing from April 2006) for the period from 1 January 2006 to 30 June 2010.

3.4

Water Management Licence

The objective of the Water Management Licence is to set out the objectives and guidelines for the SCA in relation to access to water resources located within the SCA's defined area of operations.

The Licence authorises the SCA to take and use water from water sources and from water management works as specified in the Licence. Under the Licence, the SCA must also set aside a nominated volume of water to release as environmental flows. The SCA must also pay a licence fee for water management charges and costs incurred by the Licence manager in the course of administering the Licence.

The Water Management Licence is granted to the SCA under Part 9 of the *Water Act 1912* and is administered by the Water Administration Ministerial Council (WAMC). The objectives of the Licence, as described in the preamble to the Licence, are to:

- (a) define the releases and extractions required from the SCA's water management works for environmental and other purposes;*
- (b) define the monitoring and reporting requirements of the SCA to enable it to assess the impact of its activities on the environment;*
- (c) provide rules for the management of water supply releases made into natural water courses; and*
- (d) provide one of the means to implement the National Water Initiatives ratified by the NSW Government relevant to urban water management.*

The Water Management Licence is issued for a term of 20 years, but it must be reviewed in the first six months of operation and then again before the end of each five yearly interval until the expiration of the Licence. The SCA's Water Management Licence was issued on 23 April 2001 and has undergone the following reviews:

- 23 October 2001 – Statutory six month review;
- 11 February 2002 – Licence amended and reissued after six month review;
- 19 January 2006 – Statutory five yearly review; and
- 1 December 2006 – Licence amended and reissued after five yearly review.

3.5

Memoranda of Understanding

The *Sydney Water Catchment Management Act 1998*, under Section 36, requires the SCA to enter into Memoranda of Understanding with nominated regulatory agencies, which at present are:

- the Water Administration Ministerial Corporation (WAMC) [under the Department of Water and Energy];
- NSW Health; and
- the Environment Protection Authority (EPA) [now part of the Department of Environment and Climate Change].

The requirements of the Memoranda of Understanding are defined in the Operating Licence under Part 2 Section 2.3. In general, the Memoranda of Understanding have the objective to form the basis of co-operative relationships

between the SCA and the relevant regulatory agency with the view to furthering the objectives of the Operating Licence and the *Sydney Water Catchment Management Act 1998*.

3.6 Bulk Water Supply Agreements

Section 22 of the *Sydney Water Catchment Management Act 1998* requires the SCA to “enter into arrangements with Sydney Water Corporation regarding the supply of water by the Authority [SCA] to the Corporation [Sydney Water]”. In addition, the Operating Licence requires the SCA to enter into agreement with all other customers to define the terms and conditions of the supply of bulk raw water by the SCA.

The Bulk Water Supply Agreement with Sydney Water originally commenced on 15 September 1999 for a term expiring on 30 June 2004. The Minister approved amendments to the Agreement on 29 July 2002 which extended the term of the agreement to 31 December 2005. The SCA and Sydney Water have recently signed to a new Bulk Water Supply Agreement, which commenced on 13 April 2006 for an unspecified term.

3.7 State Environmental Planning Policy 58

The State Environmental Planning Policy SEPP 58 – *Protecting Sydney’s Water Supply* is an instrument under the *Environmental Planning and Assessment Act, 1979* and commenced on 1 February 1999.

The SEPP aims to:

- ensure that development in the hydrological catchment from which Sydney draws its drinking water supply does not have a detrimental impact on water quality;
- provide a concurrence or notification role for the Chief Executive of the Sydney Catchment Authority in relation to development in the hydrological catchment that is likely to have an impact on water quality; and
- ensure that there is a consistent approach to the assessment and control of development in the hydrological catchment that is likely to have an impact on water quality.

When considering any development application on land to which this Policy applies, the consent authority must consider the following:

- whether the development or activity will have a neutral or beneficial effect on the water quality of rivers, streams or groundwater in the hydrological catchment, including during periods of wet weather;
- whether the water quality management practices proposed to be carried out as part of the development or activity are sustainable over the long term; and

- whether the development or activity is compatible with relevant environmental objectives and water quality standards for the hydrological catchment.

For specified land uses that have a significant potential to pollute waterways and streams and endanger the quality of drinking water supplies, development consent is required from the relevant consent authorities. Applications for these land uses are also reviewed by the SCA as part of the assessment process.

Under SEPP 58, the consent authorities are either the Department of Planning (DoP) or the relevant local Council.

SEPP 58 has now been replaced by the Regional Environmental Plan, which came into operation on 1 January 2007.

3.8

Regional Environment Plan

Under Section 53 of the *Sydney Water Catchment Management Act 1998*, the Minister must ensure that one or more Regional Environment Plans are made as soon as practicable after the presentation of the first catchment audit report.

A Regional Environmental Plan (REP) is to make provision for the following:

- imposing controls subject to which State agencies and local authorities (including the local Council) may take action and make decisions concerning development of the land to which the plan applies;
- setting water quality objectives for that land;
- requiring consent authorities to refuse to grant development consent to a development application unless the consent authority is satisfied that the carrying out of the proposed development would have a neutral or beneficial effect on the quality of water;
- requiring the development of action plans to rectify any development of the land that does not have a neutral or beneficial effect on the quality of water; and
- declaring that the REP prevails over a Local Environmental Plan.

The Regional Environment Plan has been finalised and commenced operation on the 1 January 2007.

4 Bulk Raw Water Quality

4.1 *Overview of Requirements*

Under the provisions of Part 3 of the Operating Licence, the SCA is required to:

- monitor and supply water that complies with the Australian Drinking Water Guidelines 2004, Heath Related Water Characteristics list and the Specific Water Characteristics list. The results of monitoring and recording of these results must follow an acceptable Quality Assurance procedure;
- provide its customers with a copy of results for the above mentioned monitoring program, and, where performance is inadequate, the customer is to be given the opportunity to be involved in the resolution process;
- provide IPART with of summary the above mentioned monitoring program, a summary of compliance/non-compliances, a summary of incident, and a Water Quality trend analysis for specified locations; and
- maintain the 'Water Quality Management Framework' which identifies, assesses, monitors and plans preventative and response action to hazardous threats. The on-going development of the 'Framework' must provide be open to public involvement and compliant with AS/NZS 4360:2004.

4.2 *Summary of Findings*

Clauses 3.1.1, 3.1.2, 3.1.3 & 3.1.4

Requirement: SCA must develop a list of specific water characteristics to the satisfaction of NSW Health and Sydney Water Corporation, within six months of the commencement date [of the Operating Licence] that is, by October 2006. SCA must provide IPART with a copy of the list of specific water quality characteristics and make a copy of the list available to the public after it has been provided to IPART. The list of specific water characteristics must be monitored and reported under Clause 3.6.

Compliance:	List of specific water characteristics	Full
	Monitoring and reporting of specific water characteristics	Full

Comments: SCA has developed a list of specific water characteristics in consultation with NSW Health and Sydney Water. The list was submitted to IPART on 30 July 2006 and was made public on 30 November 2006. The list of characteristics is being monitored and reported under Clause 3.6.

Clause 3.2.1 & 3.2.2

Requirement:	SCA must develop a list of health related water quality characteristics to the satisfaction of NSW Health, within six months of the commencement date [of the Operating Licence] that is, by October 2006. The health related water quality characteristics must be monitored and reported under Clause 3.6.
Compliance:	List of health related water quality characteristics Full Monitoring and reporting of health related water characteristics Full
Comments:	SCA has developed a list of health related water quality characteristics to the satisfaction of NSW Health. The list of health related water quality characteristics was included in the development, discussion and approval process for the list of specific water characteristics. The list of health related water quality characteristics is being monitored and reported under Clause 3.6.

Clause 3.4

Requirement:	The SCA must comply with health guideline values in ADWG 2004 and must liaise, co-operate and agree on cost-effective strategies with Customers to ensure treated water is not harmful to human health.
Compliance:	Compliance with health guideline values Full
Comments:	SCA complies with the health guideline values in ADWG 2004. There was discussion arising from previous Operational Audits in respect to SCA's target level for turbidity in the Bulk Water Supply Agreement (BWSA) between SCA and Sydney Water, as it exceeds the ADWG 2004 aesthetic guideline value. There is, however, no health guideline value for turbidity (which is used as a surrogate indicator) nominated in the ADWG 2004.

Clause 3.5

Requirement:	SCA must comply with the ADWG 2004 relating to the management of the Catchment Area and the Catchment Infrastructure Works.
Compliance:	Compliance with catchment management Full
Comments:	SCA has a fully implemented Raw Drinking Water Quality Risk Management Framework that specifically outlines the SCA's obligations under the ADWG 2004. The Framework, which is an overarching document, outlines the manner in

which the key elements of the ADWG 2004 are met. The Framework is supported by a number of other documents that support compliance under this clause.

Clause 3.6.1 & 3.6.2

Requirement:	SCA must maintain a water quality monitoring program that covers specific and health related characteristics; targeted, investigative and event based monitoring; effective QA systems, and; details of sampling frequencies and locations.		
Compliance:	Compliance for specific & health related		Full
	Compliance for targeted, investigative & event		Full
Comments:	SCA implements a comprehensive Water Quality Monitoring Program which includes routine monitoring and provides for targeted, investigative and event based monitoring. The Program was updated during the Audit Period. NSW Health was consulted and approved the updated Program.		

Clause 3.6.5

Requirement:	SCA must, within 18 months of the commencement date [October 2007], develop a strategy and timeframe to further improve its monitoring program including any requirements specified by NSW Health and DNR.		
Compliance:	Compliance with developing water quality monitoring program improvement strategy		NA
Comments:	This requirement is not due until October 2007 (outside the Audit Period), however, the SCA had commenced a risk assessment process to review parameters included in their monitoring program. They had also developed a draft strategy for undertaking the review of the water monitoring program and had submitted this to the Strategic Liaison Group on 11 September 2007. SCA indicated that they expect to submit the strategy to IPART by the required deadline.		

Clauses 3.6.7 & 3.6.8

Requirement:	SCA must report on the nature, features and results of the Monitoring Program to IPART by 30 November each year for the previous financial year. Such reporting must include specific nominated information.		
Compliance:	Compliance with monitoring program reporting		Full
	Compliance with inclusion of specific nominated information		Full

Comments: SCA submitted the 2005-2006 Annual Water Quality Monitoring Report to IPART prior to 30 November 2006. The content of the report was in accordance with the requirements.

Clauses 3.6.10 & 3.6.11

Requirement: SCA must provide a report to IPART by 30 November 2007 and 30 November 2009 analysing trends in water quality. Such report must be made available to the public free of charge.

Compliance: **Compliance with trends analysis report** **NA**

Comments: This requirement is not due until 30 November 2007 (outside the Audit Period), however, the SCA indicated that they have awarded a contract for the preparation of the report.

Clause 3.7.1

Requirement: SCA must, within 12 months of the commencement date [April 2007], implement, to the satisfaction of IPART and NSW Health, a Water Quality Management Framework.

Compliance: **Compliance with implementation of Water Quality Management Framework** **Full**

Comments: SCA implement the Raw Drinking Water Quality Management Framework 2007-2012. The Framework was submitted to IPART on 13 July 2007, after gaining IPART's agreement to delay the public consultation process.

Clause 3.7.2 & 3.7.3

Requirement: The SCA must fulfil specific nominated requirements in order to achieve the purpose of the Water Quality Management Framework, ie to identify and manage risks to the quality of the Bulk Water supplied to Customers.

Compliance: **Compliance with the purpose of the Water Quality Management Framework** **Full**

Comments: SCA has structured the Framework to correspond to the three specific purposes it is required to fulfil. The Framework document includes details of how each of the specific nominated requirements is addressed.

Clause 3.7.4

Requirement: SCA must, in developing the Water Quality Management Framework, apply the principles of risk management as outlined in AS/NZS 4360:2004, prepare risk action plans and consider the benefits and costs of different management plans.

Compliance: **Compliance with consultation requirements** **Full**

Comments: SCA has also structured the Framework document to align with the key elements of a generic risk management process, the principles of which are outlined in AS/NZS 4360:2004. The Framework includes, by reference, a number of risk action plans and promotes the use of cost-benefit analysis for the assessment of alternative management options.

Clause 3.7.5

Requirement: SCA must, in developing the Water Quality Management Framework, engage in public consultation and must specifically seek comments from IPART, NSW Health, DEC [now DECC] and DNR [now DWE]..

Compliance: **Compliance with consultation requirements** **Full**

Comments: SCA has engaged in consultation with IPART, NSW Health, DECC and DWE, as well as local Councils, the relevant Catchment Management Authorities and the wider community.

Clause 3.8

Requirement: The SCA must meet environmental water quality requirements for any discharges or water releases required under licences issued by DEC [now DECC] or DNR [now DWE].

Compliance: **Compliance with environmental water quality** **Full**

Comments: SCA had no licences issued by DECC in effect during the Audit Period, and consequently no particular environmental water quality requirements.

DWE has advised that SCA met its water release requirements under the Water Management Licence for the 2006-07 period.

4.3 *Details of Compliance*

Table 4.1: Bulk Raw Water Quality - Compliance Level

Clause	Requirement	Compliance	Comments
3	Bulk Raw Water Quality		
3.1	Specific Water Characteristics		
3.1.1	<p>Within 6 months from the Commencement Date, the SCA must compile, to the satisfaction of NSW Health and Sydney Water Corporation a list of specific water characteristics (Specific Water Characteristics) for the purpose of:</p> <p>(a) identifying the water characteristics which should be monitored and reported on in order to protect human health;</p> <p>(b) seeking to prevent water quality from degrading over time.</p>	Full	<p>SCA developed a list of specific water characteristics in consultation with NSW Health and Sydney Water. The list was submitted to IPART on 30 July 2006 and was made public on 30 November 2006.</p> <p>As evidence of consultation with NSW Health and Sydney Water, the SCA provided a copy of an electronic meeting request dated Tuesday 6 June 2006 entitled 'Water Quality Characteristics Workshop' with a list of invited attendees showing which organisations were represented at the workshop and also provided summary meeting minutes.</p> <p>The SCA provided an agenda item from a Strategic Liaison Group meeting dated 15 June 2006 entitled 'Water Quality Characteristics under SCA's Operating Licence'. The agenda item shows that the list of water characteristics was to be discussed at the meeting. The SCA also provided the minutes from the meeting which indicated that the item was discussed.</p> <p>The SCA provided details of correspondence between NSW Health and the SCA where it appears that NSW Health acknowledges that there was agreement in the SLG meeting on the content of the lists.</p> <p>The SCA also provided copies of letters signed by SCA's Chief Executive addressed to NSW Health (undated), Sydney Water (2 August 2006) and IPART (30 July 2006) informing the agencies of the processes undertaken in reviewing the lists and attaching a copy of the lists.</p>

Clause	Requirement	Compliance	Comments
			<p>The 2005-06 Auditors confirmed with NSW Health and Sydney Water that the consultation process in preparing the list of characteristics was satisfactory to both agencies, that the final list of characteristics developed was satisfactory to both agencies, and that both agencies have been provided with a list of the characteristics.</p> <p>The SCA provided details of how the lists fulfilled the purposes of this requirement in:</p> <ul style="list-style-type: none"> Water Quality Monitoring Report 05/06, Section 3, pages 16 & 17 'Raw Drinking Water Quality Management Framework 2007-2012', Chapters 1, 2, 3 & 4, and Appendix 1
3.1.2	The list of Specific Water Characteristics must be monitored and reported under Clause 3.6. This list is to be derived from the Australian Drinking Water Guidelines 2004 and must be updated, as directed by NSW Health from time to time, by the SCA to the satisfaction of NSW Health and Sydney Water Corporation.	Full	<p>The water quality parameters in the list are included in the Water Quality Monitoring Program and are reported under Clause 3.6. The SCA provided copies of the Water Quality Monitoring Report and Water Quality Monitoring Program and other documents as evidence – refer Clause 3.6 for further details.</p> <p>SCA added tin and beryllium to the list of characteristics after discussions on the list in the Strategic Liaison Group (SLG) with Sydney Water and NSW Health. The SLG also discussed the inclusion of additional pesticides and synthetic organics, however the SLG decided a full risk assessment was necessary before further refining the lists of characteristics. A full risk assessment is currently being planned with an initial workshop with NSW Health planned for 16 October 2007.</p> <p>NSW Health has not specifically requested any further updates to the list. This has been confirmed through the stakeholder consultation process with responses from NSW Health and Sydney Water discussed in Section 8 (and copies of correspondence included in Appendix D).</p>

Clause	Requirement	Compliance	Comments
3.1.3	The SCA must provide IPART with a copy of the list of Specific Water Characteristics (as updated from time to time), as soon as possible after it is agreed to by NSW Health and Sydney Water Corporation. The SCA must make a copy of that list available to the public after it has been provided to IPART	Full	SCA indicated they had provided the list of specific water characteristics to IPART on 30 July 2006 and provided a signed copy of the letter sent. The list was made public on 30 November 2006 and is available to any person free of charge.
3.1.4	If the SCA, NSW Health and Sydney Water Corporation cannot agree on a list of Specific Water Characteristics, the views of NSW Health will prevail and the SCA must accept the list of Specific Water Characteristics determined by NSW Health.	NA	Not applicable as a list of characteristics has been developed and agreed upon between SCA, NSW Health and Sydney Water.
3.2	Health Related Water Quality Characteristics		
3.2.1	Within 6 months from the Commencement Date, the SCA must compile, to the satisfaction of NSW Health, a list of health related water quality characteristics (Health Related Water Quality Characteristics) for the purpose of: (a) identifying relevant contaminants and other water characteristics that may have an adverse impact on human health; (b) protecting human health by ensuring that the health guideline values in the Australian Drinking Water Guidelines 2004 for those characteristics are not exceeded.	Full	The list of Health Related Water Quality Characteristics was included in the development, discussion and approval process for the list of Specific Water Characteristics as detailed in the comments on Clause 3.1.1 above.

Clause	Requirement	Compliance	Comments
3.2.2	The list of Health Related Water Quality Characteristics must be monitored and reported under Clause 3.6. This list is to be derived from the list of Specific Water Characteristics in Clause 3.1.1 and must be updated, as directed by NSW Health from time to time, by the SCA to the satisfaction of NSW Health.	Full	The list of Health Related Water Quality Characteristics was included in the development, discussion and approval process for the list of Specific Water Characteristics as detailed in the comments for Clause 3.1.2 above.
3.3	Obligations under 2000 Operating Licence		
3.3	Until the SCA has compiled a list of the Specific Water Characteristics under Clause 3.1.1 and a list of the Health Related Water Quality Characteristics under Clause 3.2.1, the SCA must continue to comply with its obligations under Clauses 6.2(a), 6.2(b), 6.4 and 6.6 of the 2000 Operating License.	NA	There were no obligations under the 2000 Operating Licence as both the lists of characteristics were in place for the whole 2006/07 audit period.
3.4	Water Supplied for Water Treatment		
3.4	In relation to the supply of Bulk Raw Water by the SCA to Customers for Water Treatment, the SCA must comply with the following provisions:		
3.4 (a)	the concentration or level of the Health Related Water Quality Characteristics must not exceed the health guideline values in the Australian Drinking Water Guidelines 2004 for those characteristics;	Full	<p>The SCA generally complies with this requirement, however, the target levels specified for turbidity in the Bulk Water Supply Agreement (BWSA) with Sydney Water exceeds the ADWG 2004 aesthetic guideline value, which is used as a surrogate indicator. There is no health guideline value for turbidity nominated in the ADWG 2004 on the basis that there is insufficient data to set a guideline value based on health considerations.</p> <p>This issue was discussed in Section 5.3.1 of the 2005-06 Operational Audit Report. The SCA explained that they supply bulk raw water to Sydney Water, not drinking water, and the turbidity levels set in their agreement are suited to</p>

Clause	Requirement	Compliance	Comments
			<p>the capacity of the water filtration plants.</p> <p>The SCA indicated that although the target level for turbidity in the BWSA exceeds the ADWG 2004 aesthetic guideline value, water supplied to the Sydney Water consistently achieve the guideline value.</p> <p>SCA indicated that they are in consultation with NSW Health to move turbidity from the health related water quality characteristics list to the specific water characteristics list. NSW Health has been asked to comment on this process as part of the stakeholder consultation component of this Audit.</p> <p>It is recommended that:</p> <ul style="list-style-type: none"> ▪ SCA continue the consultation with NSW Health; and/or ▪ consideration be given to revising this clause of the Operating Licence to refer to target values nominated in the respective supply agreements.
3.4 (b)	where necessary, the SCA must liaise, cooperate and where possible agree on cost effective strategies (and the timing of their implementation) with Customers to ensure treated water consumed by humans is not harmful to human health;	Full	<p>The SCA's obligations under this clause are specifically included in the Bulk Water Supply Protocols agreement between SCA and Sydney Water.</p> <p>SCA liaise with Sydney Water as part of the Strategic Liaison Group (SLG) and the Joint Operations Group where water quality issues are discussed.</p> <p>SCA provided the agenda for a workshop on Management of Water Quality in Prospect Reservoir dated 29 May 2007 showing that strategies to manage water quality are being discussed with Customers. Meeting notes, which indicated that the workshop was attended by representatives of both the SCA and Sydney Water, were also provided.</p> <p>SCA also provided evidence of an operational debrief from the recent Warragamba turbidity incident demonstrating the strategies used and cooperation between SCA and its Customers to reduce the impact of treated water on human health. A Situation Report was also provided to demonstrate the cooperation involved in negotiating event-based monitoring.</p>

Clause	Requirement	Compliance	Comments
3.5	Catchment and system management		
3.5	The SCA must comply with the Australian Drinking Water Guidelines 2004 relating to the management of the Catchments Area and the Catchments Infrastructure Works	Full	<p>SCA has a fully implemented Raw Drinking Water Quality Management framework that specifically outlines the SCA's obligations under the ADWG 2004. Appendix 4 of the framework details the 12 key elements of the ADWG 2004 and how the framework addresses each element. The framework replaces and updates the previous Water Quality Risk Management Framework which was in operation since June 2005.</p> <p>The SCA stated that the framework is the overarching document covering SCA's catchment and system management obligations. The framework is supported by a range of other documents including the Corporate Incident Management Framework, the Asset Management Framework, and the Bulk Raw Water Quality Incident Response Plan.</p> <p>Further details on the SCA's catchment and system management documents and activities are covered in Clause 6.1.</p>
3.6	Water quality monitoring and reporting		
3.6.1(a) & 3.6.2	<p>SCA must maintain a routine water quality monitoring program for bulk raw water supplied to customers for treatment that covers specific water characteristics and health related water quality characteristics.</p> <p>The program shall also include any other characteristics nominated by NSW Health, an effective QA system; and details of sampling frequencies and locations.</p>	Full	<p>The SCA has a comprehensive routine water quality monitoring program in place which has been in operation since 2005. The program was reviewed as part of the 2005-06 Operational Audit and a number of comments were made regarding the program.</p> <p>The program was updated during the audit period and an updated copy of the Water Quality Monitoring Program 2005-2009 dated May 2007 has been provided for review. The SCA provided evidence of consultation and approval from NSW Health in regards to the updated program in a letter dated 16 July 2007.</p>

Clause	Requirement	Compliance	Comments
3.6.1 (b)	SCA must maintain a targeted, investigative and event based monitoring of the water in the Catchment Areas and the SCA's Water Storages to monitor occurrence of particular characteristics and contaminants in water.	Full	<p>The SCA conducts targeted, investigative and event based monitoring which is outlined in detail in Section 8 of the SCA's updated Water Quality Monitoring Program 2005-2009. This section provides examples of monitoring programs including hot spot monitoring; investigative monitoring for cyanobacterial DNA assessment and bulk water transfer impacts; and event based monitoring for stormwater protozoa impacts and chemical spill impacts.</p> <p>SCA also provide an example of a standard form request for event-based monitoring at Avon Reservoir in response to a taste and odour complaint received by Sydney Water.</p>
3.6.5	Within 18 months from the Commencement Date, the SCA must develop, to the satisfaction of IPART, a strategy and timeframe to further improve its Monitoring Program. Improvements to the Monitoring Program may include such elements as capability to capture real-time information on water quality and water quantity variables specified by NSW Health and DNR. The SCA must comply with that strategy and timeframe.	NA	<p>This requirement does not fall due until October 2007, however, the SCA was asked to provide some background and an update on progress during the current audit period in meeting this requirement.</p> <p>SCA indicated that they had commenced a risk assessment process to review parameters included in their monitoring program in March 2007. They have also developed a draft strategy for undertaking the review of the water monitoring program and this was submitted to the Strategic Liaison Group meeting on 11 September 2007 for discussion.</p> <p>The SCA are expecting to submit the strategy to IPART by the deadline of 7 October 2007.</p>
3.6.7	The nature, features and results of the Monitoring Program must be provided to IPART by 30 November each year for the previous financial year	Full	<p>SCA indicated that they submitted the 2005-2006 Annual Water Quality Monitoring Report to IPART prior to the 30 November and provided a signed copy of a letter to IPART dated 29 November 2006 as evidence.</p> <p>SCA also provided evidence of their progress in preparing for the 2006-2007 report by submitting the Technical Specification for a Tender that has already been awarded to undertake the report.</p>

Clause	Requirement	Compliance	Comments
3.6.8	<p>The information provided must, in addition to the information required under Clause 3.6.3, also contain the following:</p> <ul style="list-style-type: none"> a) summary of monitoring information b) summary of water quality information c) information on the extent of compliance or non-compliance d) information on the integrity of data reported e) a summary of water quality incidents identified during the period reported and actions taken to resolve, eliminate or mitigate the effects of the incident f) steps taken by SCA to protect public health as a result of the incident 	Full	<p>SCA provided a final version of their 2005-2006 Water Quality Monitoring Report and some initial comments from our initial review of the report, in respect to the various content elements listed, are provided below:</p> <ul style="list-style-type: none"> a) A summary of the key findings of the report are contained in the Executive Summary while Chapter 3 is an overview of the Water Quality Monitoring Program. b) Sections 3.1-3.3 and Section 5.5.1 of the report provides a summary of water quality information. c) The Executive Summary provides an overview of compliance with the requirements of the monitoring program and any exceedance of the target values set. Sections 5-7 of the report provide general information about monitoring results and exceedance of the individual analyte targets. d) Section 5.4 of the report outlines the quality assurance and quality control testing results for the integrity of the data collected and the processes used to collect and analyse the data. e) Chapter 8 provides a specific summary of the water quality incidents over the 2005-2006 period. The report states that there were 231 water quality incidents and exceptions recorded. There were six (6) emergency incidents, 23 major exceptions and 161 minor incidents with the remaining 41 incidents recorded as 'trigger' or 'near miss'. The six (6) emergency incidents related to <i>e. coli</i>, toxigenic cyanobacteria, and total coliforms results above the major incident level specified in the Bulk Raw Water Quality Incident Response Plan. Appendix D of the monitoring program provides specific details on the interim measures and investigative actions taken. f) Refer to response for (e).

Clause	Requirement	Compliance	Comments
3.6.10	The SCA must provide IPART with a report (to the satisfaction of IPART), by 30 November 2007 and 30 November 2009, which analyses trends in water quality: a) at the inflows to water filtration plants b) within the SCA's Water Storages c) at other locations as specified by NSW Health and DNR	NA	The due date for this report is outside the audit period and is not auditable. However, SCA have provided information on their progress in achieving the due date during the audit period. SCA have indicated that they will be preparing this report as part of the contract awarded for the production of the Annual Water Quality Monitoring Report (refer comments on Clause 3.6.7). SCA provided a copy of the Technical Specification for the Tender. The requirements of the contract include monitoring at inflows to Water Filtration Plants, reservoir/lake sites, and catchment sites at inflows to and outflows from SCA storages.
3.6.11	The information provided to IPART under Clause 3.6.10 must be made available to the public free of charge	NA	This requirement is not yet auditable as the report required under Clause 3.6.10 is not due until 30 November 2007.
3.7	Water quality planning		
3.7.1	Within 12 months from the Commencement Date, the SCA must implement, to the satisfaction of IPART and NSW Health, a water quality management framework for water quality management in the Catchment Area and SCA's Water Storages (Water Quality Management Framework).	Full	SCA have prepared a Raw Drinking Water Quality Management Framework 2007-2012 and have provided a final version of the Framework for review. The Framework was required to be implemented 12 months from the commencement date of the Operating Licence, that is, April 2007. The final version, however, was completed and submitted to IPART on 13 July 2007. SCA indicated that they had consulted with IPART prior to the due date and received agreement to delay the public consultation process (and, by default, submission of the final framework) and provided copies of an email dated 20 February 2007 from the SCA (Simone Greenaway) to IPART (Colin Reid) and the response dated 21 February 2007. SCA provided evidence of their progress in meeting the due date in the form of:

Clause	Requirement	Compliance	Comments
			<ul style="list-style-type: none"> ▪ SCA Board Meeting Agenda Item entitled SCA Draft Water Quality Management Framework with a date indicating that the Agenda Item was prepared in early December 2006. SCA also provided an extract Board Minute for Agenda Item 8 SCA's Draft Water Quality Management Framework. Both the Agenda Item and the Board Minute provided were, however, undated and it cannot be determined when this Agenda Item was actually submitted and considered by the SCA Board. As the particular Board meeting included 'Commercial in Confidence' items of business, the SCA have provided a statutory declaration stating the date that the Framework was submitted to and noted by the Board. ▪ Letters to stakeholders seeking comment on the draft framework dated 21 December 2006 and 10 January 2007. ▪ Response letters from stakeholders dated mid February 2007 including a letter from IPART dated 31 January 2007. <p>It is unclear what caused the development of the Framework to be delayed, however, it is noted that the draft Framework was completed in December 2006 and the final Framework was implemented in July 2007.</p> <p>The final Framework is required to be to the satisfaction of IPART and NSW Health and evidence has been provided indicating that both IPART and NSW Health have noted their satisfaction/approval of the final version.</p> <p>It is noted that SCA has consulted with NSW Health and IPART and received some comments from both organisations. NSW Health provided comments on the draft framework in a letter dated 25 January 2007, and it is noted that IPART's response to the draft framework document indicated that they would consider whether the document is satisfactory after the completion of this Operational Audit and the public consultation process.</p> <p>SCA provided further evidence of their activities past the April 2007 due date including:</p>

Clause	Requirement	Compliance	Comments
			<ul style="list-style-type: none"> undated letters to Local Councils seeking comments; responses received from two Councils dated 30 May and 13 June 2007; a Representations Report detailing the outcomes of the public consultation period from 9 May 2007 to 8 June 2007; the covering letter to IPART dated 13 July 2007 for the final framework; and letters to stakeholders (dated 13 August 2007) providing a copy of the final framework.
3.7.2	<p>The purpose of the Water Quality Management Framework is to:</p> <ul style="list-style-type: none"> a) identify, assess and quantify hazards and risks to Bulk Raw Water quality b) identify, evaluate, implement and monitor controls to be used in dealing with these hazards and risks c) enable prioritisation of actions, research and water quality monitoring 	Full	<p>The SCA has structured the Raw Drinking Water Quality Management Framework around the requirements of these Operating Licence clauses, especially in relation to the key sections/chapters in the document. These chapters correspond very well to the three requirements of this clause.</p> <p>A number of comments on the structure and content of the draft Framework document were made by key stakeholders as part of the consultation process. A review of the stakeholders' comments; the Representations Report (prepared by the SCA) detailing the outcomes of the public consultation process; the final Framework document, and; additional explanatory information provided by the SCA indicates that the comments made on the draft framework have been appropriately considered and implemented in the final Framework document.</p>
3.7.3	In order to achieve the purpose set out in Clause 3.7.2, the Water Quality Management Framework must fulfil the requirements of Clause 3.7.3(a) to (h) in the Operating Licence	Full	The SCA has detailed, in Appendices 3 and 4 in the Framework, how each of the requirements of this clause are met. Appendix 4 outlines how each of the elements of the ADWG 2004 requirements are met while Appendix 3 outlines how the remaining requirements are met.

Clause	Requirement	Compliance	Comments
3.7.4	In developing the Water Quality Management Framework, the SCA must:		
3.7.4(a)	apply Australian Standard Risk Management: AS/NZS4360:2004 to the quality of Bulk Raw Water supplied by the SCA to its Customers	Full	<p>Consultation with key stakeholders during the development of the Framework raised concerns regarding the alignment of the draft Framework with the principles outlined in AS/NZS 4360:2004.</p> <p>The SCA has advised that in Appendix 3 of the final Framework document it is noted that the Framework has been developed in accordance with AS/NZS 4360:2004 and that the Framework's predecessor, the Water Quality Risk Management Framework (now called the Water Quality Risk Assessment), used AS/NZS 4360:1999.</p> <p>The SCA also provided an overview of how the final Framework document aligns with the principles outlined in AS/NZS 4360:2004. The Framework addresses the key elements of a generic risk management process, as described in the standard, as follows:</p> <ul style="list-style-type: none"> ▪ Communicate and Consult – Figure 2 <i>SCA Raw Drinking Water Quality Management Framework</i>, Chapter 1 <i>Identifying and assessing impacts on water quality</i> and Appendix 2 <i>Statutory and regulatory obligations, partners and stakeholders</i>; ▪ Establish the Context – <i>Introduction</i> and Appendix 2 <i>Statutory and regulatory obligations, partners and stakeholders</i>; ▪ Identify Risks, Analyse Risks, Evaluate Risks – Chapter 1 <i>Identifying and assessing impacts on water quality</i> and Chapter 2 <i>Planning improvements to water quality</i>; ▪ Treat Risks – Chapter 3 <i>Implementing water quality improvement actions</i>; and ▪ Monitor and Review – Chapter 4 <i>Reviewing performance and assessing effectiveness</i>.

Clause	Requirement	Compliance	Comments
3.7.4(b)	apply Australian Standard Risk Management: AS/NZS4360:2004 to develop risk action plans	Full	<p>Refer to comments in respect to Clause 3.7.4(a) above.</p> <p>Following clarification with IPART, it is understood that the intent of this clause is to ensure that risk management processes are implemented as a requirement of the Framework.</p> <p>The SCA has noted that the Framework refers to the SCA's Water Quality Risk Assessment (previously called the Water Quality Risk Management Framework), and that the Water Quality Risk Assessment includes risk assessment of water quality hazards for each water supply, thereby meeting the requirements of this clause. A review of the Water Quality Risk Assessment confirmed the adoption of risk management processes by the SCA.</p> <p>A review of the following SCA documents provided further confirmation that risk management processes have been adopted in developing components of the overall Water Quality Management Framework:</p> <ul style="list-style-type: none"> ▪ Corporate Incident Management Framework; ▪ Incident Management Procedures Manual; ▪ Corporate Risk Management Framework; and ▪ Bulk Raw Water Quality Incident Response Plan Issue 5. <p>It is recommended that the wording of this requirement of the Operating Licence be reviewed to provide greater clarity in respect to the intent of the clause.</p>
3.7.4(c)	consider the benefits and costs of different management options.	Full	<p>Following clarification with IPART, it is understood that the intent of this clause is to ensure that the SCA undertake cost/benefit analyses of management options to ensure that a quantitative assessment of the cost of mitigating the risk is undertaken before management processes are adopted.</p> <p>Appendix 3 of the Framework, indicates that SCA addresses the requirements of this clause in the following manner:</p>

Clause	Requirement	Compliance	Comments
			<ul style="list-style-type: none"> Cost-benefit analysis of risk controls are to be conducted as part of water quality risk assessments to determine likely net benefits of the program of risk control actions; Business cases are to be developed for all projects consistent with NSW Treasury and other government guidelines. Projects are to be subject to a cost-benefit analysis prior to approval; and Regulatory impact statements for each regulation are to be prepared based on cost-benefit analysis. <p>A review of the SCA's Business Case Template and the Water Quality Risk Assessment (Section 1.6 – Evaluation of Controls) provides evidence that the use of cost-benefit analyses in assessing management options has been incorporated into the Water Quality Management Framework.</p>
3.7.5	The SCA must engage in Public Consultation in developing the Water Quality Management Framework, and must specifically seek comments from IPART, NSW Health, DEC and DNR.	Full	<p>The SCA has engaged in consultation with key stakeholders including those specifically mentioned in this clause and has also consulted with Local Councils, Catchment Management Authorities and the wider community.</p> <p>The SCA provided evidence of these consultations in the form of letters to and from the key stakeholders and Local Councils and evidence, in the form of a Representations Report, of the public consultation period and notices appearing in various local newspapers in the SCA's area of operations.</p> <p>The evidence provided by the SCA included copies of a letters from key stakeholders acknowledging review of and providing comments on the draft Framework. These included letters from:</p> <ul style="list-style-type: none"> NSW Health dated 25 January 2007; IPART dated 31 January 2007; Metropolitan Water Directorate dated 7 February 2007; DEC [now DECC] dated 14 February 2007; and DNR [now DWE] dated 16 February 2007.

Clause	Requirement	Compliance	Comments
3.8	Environmental water quality		
3.8	The SCA must meet the environmental water quality requirements for any discharges or water releases required under licences issued to the SCA by DEC or DNR.	Full	<p>The SCA has indicated that no licences were issued by DEC [now DECC] during the audit period and, consequently, there are no particular environmental water quality requirements.</p> <p>The SCA has indicated that they have one specific requirement, which is related to cyanobacteria, under the Water Management Licence issued by DNR [now DWE] and that the requirements in respect to cyanobacteria had been met.</p> <p>In a letter dated 11 September 2007 from the DWE to the SCA, the DWE indicated that the SCA had complied with the requirements of the Water Management Licence for the 2006-07 period (with the exception of a matter that does not relate to the environmental water quality requirements for discharges or water releases).</p> <p>As part of the Audit consultation process, DWE has advised that the SCA met its water release requirements under the Water Management Licence for the 2006-07 period (refer Section 8.2.2).</p>

4.4 *Summary of Compliance*

The Audit process identified FULL compliance for all auditable requirements of the Operating Licence in respect to Bulk Raw Water Quality. A total of twenty six (26) requirements were assessed, five (5) of which were deemed to be NOT AUDITABLE, either because the requirement had not fallen due during the Audit Period or was dependent upon a particular action that had not occurred.

This result compares to the findings of the 2005-2006 Operational Audit, when four (4) of the twenty six (26) requirements were rated as FULL compliance and the remaining twenty two (22) were assessed as being NOT AUDITABLE, primarily due to that fact that a number of requirements related to the compilation of lists of Water Quality Characteristics, water quality monitoring and reporting, and the Water Quality Management Framework had not fallen due during the 2005-2006 Audit Period.

4.5 *Factors affecting Compliance*

4.5.1 *General*

Whilst FULL compliance was assessed for all auditable requirements in respect to Bulk Raw Water Quality, the following comments are deemed appropriate.

4.5.2 *Health Related Water Quality Characteristics*

Clause 3.4(a) specifies that the concentration or level of Health Related Water Quality Characteristics must not exceed the health guideline values in the Australian Drinking Water Guidelines (ADWG) 2004 for those characteristics. As outlined in **Table 4.1**, the SCA is in consultation with NSW Health to move 'turbidity' from the list of Health Related Water Quality Characteristics to the list of Specific Water Quality Characteristics, primarily as there is no health guideline value for 'turbidity' nominated in the ADWG 2004. There is a clear need for the SCA to continue consultation, and achieve agreement, with NSW Health in respect to this matter.

Alternatively, a revision of the requirements of the clause to make reference to the target values set out in the various Bulk Water Supply Agreements between the SCA and its customers could be considered. It is, however, noted that this approach is less preferred as it would require a revision to the Operating Licence, and would result in a variety of target values dependent upon specific points of supply.

4.5.3 *Water Quality Management Framework*

The Audit also revealed some confusion in respect to the intent of Clauses 3.7.4(b) and 3.7.4(c) which relate to the need for the SCA, in developing the Water Quality Management Framework, to:

- apply AS/NZS 4360:2004 Australian Standard Risk Management to develop risk action plans; and
- consider the benefits and costs of different management options.

It is considered that it may be appropriate for IPART to issue a formal clarification to confirm the intent of these clauses.

4.6

Recommendations

It is recommended that the SCA continue consultation with NSW Health in respect to removal of 'turbidity' from the list of Health Related Water Quality Characteristics (and adding it to the list of Specific Water Quality Characteristics).

Alternatively, it is recommended that consideration be given (at the next appropriate opportunity) to revising Clause 3.4(a) of the Operating Licence to refer to target water quality values nominated in the various supply agreements between the SCA and its Customers instead of the Australian Drinking Water Guidelines (ADWG) 2004.

It is recommended that IPART issue a formal clarification in respect to the intent of the requirements of Clauses 3.7.4(b) and 3.7.4(c) of the Operating Licence.

5 Catchment Management and Protection

5.1 *Overview of Requirements*

Under the provisions of Part 4 of the Operating Licence, the SCA is required to:

- provide IPART with information on catchment management performed and planned during the previous year including costs, results, and response to recommendations from previous Audits and the SCA's own research;
- consult the National Parks and Wildlife Service regarding future catchment plans;
- provide IPART with an annual report of compliance with the Regional Environment Plan (REP), and, promote the REP to affected Councils; and
- include on its website water quality information for catchment areas, weekly updates on water transfers from the Shoalhaven Scheme and information on how to obtain unpublished river health data.

5.2 *Summary of Findings*

Clause 4.1.2

Requirement: By 30 November each year, the SCA must report to IPART on its catchment management and protection activities for the previous financial year.

Compliance: **Compliance with reporting on activities** **Full**

Comments: SCA has produced a report entitled *Sydney Catchment Authority; Catchment Management and Protection Activities Report 05-06*, which was submitted to IPART on 29 November 2006.

Clause 4.1.3

Requirement: The information provided to IPART must be in a format and content to be agreed between SCA and IPART; include specific nominated information; identify program activities which responded to the recommendations or findings of the Annual Audit, Catchment Audit or the SCA's research or monitoring; explain any changes in catchment management and protection activities or programs and expenditure, and; include the SCA's compliance with any Plan of Management.

Compliance:	Compliance with format requirements	High
	Compliance with inclusion of specific nominated information	Full
	Compliance with the identification of responsive program activities	Full
	Compliance with the explanation of changes in management and protection activities	Full
	Compliance with the inclusion of SCA's compliance with any Plan of Management	Full
Comments:	<p>SCA has consulted with IPART in respect to the format and content of the reporting, however, have not incorporated improvements suggested by IPART in the final report as the comments were not received in time for incorporation prior to the reporting date. It is considered that SCA could have been more proactive in obtaining IPART's comments in a timely manner.</p> <p>Apart from the explanation of changes in catchment management and protection activities or programs and expenditure, which was specifically raised in IPART's comments, the format and content of the report was in accordance with the requirements.</p>	

Clauses 4.2.1 & 4.2.2

Requirement: SCA must give effect to any Plan of Management in consultation and collaboration with DEC [now DECC] and must review any Plan of Management at least once every five years.

Compliance: **Compliance with Plan of Management** **Full**

Comments: SCA has two Plans of Management in operation, the Special Areas Strategic Plan of Management (SASPoM) and the Wingecarribee Swamp Special Area Plan of Management (WSSAPoM). Both the SASPoM and WSSAPoM have recently been reviewed and updated by SCA in consultation with the National Parks and Wildlife Service and other key stakeholders. The updated Plans of Management are dated 28 February 2007.

Clause 4.3.1

Requirement: SCA must comply with any obligations imposed under the Regional Environmental Plan (REP).

Compliance: **Compliance with Regional Environmental Plan** **High**

Comments: The REP commenced operation on 1 January 2007, so was only in operation for the second six months of the Audit Period. The introduction of the REP was supported by the concurrent introduction of the Section 117 Ministerial Direction which requires Councils to prepare Local Environment Plans (LEPs) in accordance with water quality protection principles. The Minister for Climate Change, Environment and Water has also indicated that he will be commissioning an audit of the state of the catchment lands later this year, and that the outcomes of that audit will provide an indication of the progress of the REP in delivering water quality outcomes.

The Minister has acknowledged IPART's suggestion, following the 2005-06 Operational Audit, that SCA should have a direct role in enforcing conditions of consent that protect water quality for developments in catchment areas, however, has noted that the change of State planning legislation required to enable this role would be premature given the introduction of the new powers.

Given this changing regulatory environment, it is recommended that audit of the requirements of this clause be deferred until after the REP and LEPs have been fully implemented and the audit of the state of the catchment lands has been completed, ie until the next Operational Audit.

Clause 4.3.2

Requirement: SCA must promote implementation and awareness of the REP, and must provide information for the previous financial year on its compliance with the REP.

Compliance: **Compliance with promoting implementation and awareness of the REP** **Full**

Comments: SCA has undertaken an extensive range of activities to promote the implementation and awareness of the REP including briefings with Councils, agencies and other stakeholders; the preparation of publications to promote awareness of the REP and its requirements, and; the conduct of REP Development Assessment Training programs.

Clause 4.3.3

Requirement:	SCA must provide information to IPART, for the previous financial year, on its compliance with the REP.
Compliance:	Compliance with the provision of information on compliance with the REP to IPART Full
Comments:	SCA submitted a report comprising an extract from the SCA's draft Annual Report for 2006-07 which relates specifically to compliance with the key elements of the REP.

Clause 4.4

Requirement:	SCA must comply with any obligations imposed on it under State Environmental Planning Policy (SEPP) 58.
Compliance:	Compliance with SEPP 58 High
Comments:	<p>The requirements of SEPP 58 were only in operation until the introduction of the REP, ie for the first six months of the Audit Period. Some 674 development proposals were assessed under the provisions of SEPP 58.</p> <p>There still appears to be no formal notification link between SCA and Councils to ensure that consent conditions are included in the final Development Application approval or that SCA is notified when development commences, however, this issue should now be considered in respect to the new regulatory powers and under the provisions of Clause 4.3.1.</p>

5.3 Details of Compliance

Table 5.1: Catchment Management and Protection - Compliance Level

Clause	Requirement	Compliance	Comments
4.	Catchment management and protection		
4.1	SCA to manage and protect Catchment Areas		
4.1.2	By 30 November each year, the SCA must provide information to IPART on its catchment management and protection activities for the previous financial year, to enable IPART to consider the matter as part of the Annual Audit	Full	<p>The SCA has prepared a report entitled <i>Sydney Catchment Authority Catchment Management and Protection Activities Report 05-06</i> and has provided a copy for review. This report was submitted to IPART on 29 November 2006 and the SCA has provided evidence of submission in a letter to IPART.</p> <p>The SCA has also provided an extract from the 2006-07 report to demonstrate progress in preparing it for submission on 30 November 2007. Whilst this has no direct bearing on compliance for this Audit, it is prudent to note that preparation of the report was in progress at the time of the Audit.</p> <p>It is also prudent to ensure that the SCA's maintained appropriate records that will facilitate the preparation of the report during the 2006-07 period. The SCA provided evidence of the systems in place that enable the collection of information to submit future reports. These systems include:</p> <ul style="list-style-type: none"> ▪ Compliance support system; ▪ Breaches database; ▪ Pesticide use database; ▪ Compliance reporting system – Arinya; ▪ Corporate geodatabase; ▪ Contractual reporting requirements; and ▪ Riparian GEM.

Clause	Requirement	Compliance	Comments
4.1.3	The information provided to IPART must:		
4.1.3 (a)	<p>for each catchment management and protection activity or program, be in a format and content to be agreed between the SCA and IPART, and include the following:</p> <p>(i) the planned and actual catchment management and protection activities</p> <p>(ii) the planned and actual expenditure for each of the activities in Clause 4.1.3(a)(i)</p> <p>(iii) the planned and actual outcomes for each of the activities in Clause 4.1.3(a)(i)</p>	<p>High</p> <p>Full</p> <p>Full</p> <p>Full</p>	<p>The SCA has provided evidence of consultation with IPART over the format and content of the report in two letters, the first to IPART on 19 October 2006 seeking comment and the second from IPART on 7 November 2006 formalising previous discussions between IPART and the SCA.</p> <p>The letter from IPART indicates that IPART are generally supportive of the format and content of the report, however, two minor improvements were suggested. The SCA has indicated that these improvements were not incorporated into the final version of the 2005-06 report as they had not been received in time to influence the format of that report, however, they have been incorporated in the structure of the 2006-07 report (which is not yet due for submission).</p> <p>The final 2005-06 report outlines the planned and actual activities, expenditure and outcomes in Appendix 1. Other specific information on particular programs is found in the body of the report.</p> <p>It is considered that, had the SCA could have been more proactive in seeking comment from IPART by requesting it in a more timely manner, and by following up their request to IPART.</p> <p>It is also considered necessary for IPART to provide formal comment on the format and content of the final report.</p>
4.1.3 (b)	identify program activities which responded to the recommendations or findings of the Annual Audit, Catchment Audit, or the SCA's research or monitoring programs	Full	Appendix 3 and 4 of the report provide details of program activities specifically related to Catchment Audit recommendations and particular science (research) projects.

Clause	Requirement	Compliance	Comments
4.1.3 (c)	explain any annual changes in catchment management and protection activities or programs and expenditure	High	<p>Appendix 1 of the report provides details of planned and actual expenditure for catchment management and protection activities and provides some explanation of the variance in the expenditure and/or outcomes. However, the level of detail provided is variable in relation to the drivers/reasons behind the variance.</p> <p>This issue was specifically raised in IPART's comments on the format and content of the draft report and it is understood that these comments were not incorporated into the final report. The level of detail in the final report is variable and further information needs to be provided. The variance in actual expenditure from planned expenditure ranges from -6% of planned to -73% of planned.</p> <p>As noted in respect to Clause 4.1.3(a), the SCA have indicated that IPART's comments have been included in the structure of the 2006-07 report (which is not yet due for submission).</p> <p>Again, it is considered necessary for IPART to provide formal comment on the format and content of the final report.</p>
4.1.3 (d)	include the SCA's compliance with any Plan of Management.	Full	Chapter 6 "Lands Management Strategy" in the report provides specific details of the SCA's activities related to Special Areas Plans of Management.
4.2	Plans of Management - Special Areas		
4.2.1	The SCA must give effect to any Plan of Management. In doing so, the SCA must consult, and where possible, collaborate with the National Parks and Wildlife Service of the DEC	Full	<p>The SCA has two Plans of Management in operation, the Special Areas Strategic Plan of Management (SASPoM) and the Wingecarribee Swamp Special Area Plan of Management (WSSAPoM). These plans have recently been updated in consultation with key stakeholders, community groups and the wider community.</p> <p>The SCA has provided evidence of consultation with National Parks and Wildlife Service in the recent updating of the plans and in the development of specific programs of work under each of the plans. Specifically, the SCA has provided minutes of the SASPoM Executive Steering Group meeting dated</p>

Clause	Requirement	Compliance	Comments
			<p>25 August 2007 regarding the proposed Annual Program Plan for 2006-07.</p> <p>The SCA has provided additional details and examples of consultation with National Parks including further email and written correspondence on the 2005-06 and 2006-07 works programs and also in regards to reporting of performance against program objectives.</p> <p>Overall, the collaborative relationship between the SCA and National Parks is covered by a Service Contract for Special Area Land Management and CRAFT Services which was updated in May 2007. The SCA provided evidence of agreement with the new Service Contract from the Department of Environment and Climate Change, of which National Parks and Wildlife Service is a internal group, in a letter dated 31 July 2007.</p>
4.2.2	The SCA must review any Plan of Management with the National Parks and Wildlife Service of the DEC at least once every five years	Full	The SCA has provided evidence of the recent review of the two plans of management including consultation with National Parks and Wildlife Service and other key stakeholders and updated copies of the plans of management dated 28 February 2007.
4.3	Regional Environmental Plan		
4.3.1	The SCA must comply with any obligations imposed on it under the Regional Environmental Plan, applicable to its Functions under the Act and the Licence.	High	<p>The SCA has provided evidence of its compliance with the obligations imposed on it by the Regional Environmental Plan (REP). The REP commenced operation on 1 January 2007, so was only in operation for second six months of the audit period. The SCA's compliance report summarises compliance with the key elements of the REP, namely:</p> <ul style="list-style-type: none"> ▪ setting water quality objectives; ▪ requiring developments to have a neutral or beneficial effect on water quality; ▪ introducing strategic land and water capability assessments; and ▪ developing rectification action plans.

Clause	Requirement	Compliance	Comments
			<p>A key issue identified in the previous 2005-06 Operational Audit related to the introduction of the “neutral or beneficial effects” or NorBE test and the transfer of responsibility for implementing this test on development applications from the SCA to Local Councils.</p> <p>Although the SCA has undertaken some significant work in training of Local Council staff to use the NorBE test and associated tools, the ongoing development of rectification action plans, and in the development of the strategic land and water capability assessments; some concerns remain on this issue. Specifically, the concerns relate to the formal link between Councils and the SCA in the assessment of development applications, the setting of conditions of consent, and the enforcement of these conditions of consent.</p> <p>It is noted that the SCA does not have regulatory power under the Environmental Planning and Assessment Act (EP&A Act) to check whether consent conditions are being implemented, and relies on its powers under its Regulations to monitor development through random audits.</p> <p>In a letter dated 30 May 2007, the Minister for Climate Change, Environment and Water acknowledges IPART’s suggestion in its report on the Operational Audit for the SCA covering the period 1 July 2005 to 30 June 2006 that the SCA should have a direct role in enforcing conditions of consent that protect water quality for developments in catchment areas. However, the Minister notes the replacement of SEPP 58 by the REP effective from 1 January 2007 and also notes the introduction of Section 117 Ministerial Direction, also effective from 1 January 2007. The Section 117 Ministerial Direction supports the REP by requiring Councils to prepare Local Environment Plans (LEPs) in accordance with water quality protection principles.</p> <p>The Minister further notes that, given the introduction of the new powers, it would be premature to consider a request to amend the State planning legislation, which would be required to implement IPART’s suggestion in respect to the SCA’s role in enforcing conditions of consent.</p>

Clause	Requirement	Compliance	Comments
			<p>The Minister has also indicated that he will be commissioning an audit of the state of the catchment lands later this year, and that the outcomes of that audit will provide an indication of the progress of the REP in delivering water quality outcomes.</p> <p>Whilst the SCA has generally complied with the obligations imposed on it under the REP, it is suggested that the requirements of this clause be further assessed once the REP and LEPs have been fully implemented and the audit of the state of the catchment lands has been completed, ie as part of the next Operational Audit.</p>
4.3.2	The SCA must promote implementation and awareness of the Regional Environmental Plan including education of public authorities and other relevant parties in the Catchment Area	Full	The SCA has provided extensive details of its promotional activities for the REP including REP Gazettal briefings with Local Councils, agencies and other stakeholders; REP publications to promote awareness of the REP and its requirements; REP Development Assessment Training programs for Councils, catchment management organisations, NSW Government agencies and development consultants and other education programs.
4.3.3	The SCA must provide information to IPART, by 1 September each year for the previous financial year, on its compliance with the Regional Environmental Plan	Full	<p>The SCA provided a copy of the 1 September report submitted to IPART with an undated covering letter. They have subsequently provided a copy of the covering letter dated 1 September 2007, and indicated that the report had also been submitted via email on 15 September 2007.</p> <p>IPART have confirmed that the 1 September report was submitted to IPART in an email on 14 September 2007.</p> <p>The report provides an extract from the SCA's draft Annual Report for 2006-07, specifically Condition 4.3 related to compliance with the key elements of the Regional Environmental Plan.</p> <p>It is suggested that there is scope for improvement by clarifying specific requirements in respect to submission of reports via both email and hard copy. For example, it is recommended that covering letters submitted by email should include the date of the letter, and the covering email should be</p>

Clause	Requirement	Compliance	Comments
			<p>filed for record purposes.</p> <p>It is also suggested that IPART should formally acknowledge receipt of submitted documents, particularly where such submission is a requirement of the Operating Licence.</p>
4.4	State Environmental Planning Policy		
4.4	The SCA must comply with any of its obligations imposed on it under the State Environmental Planning Policy 58, applicable to its Functions under the Act	High	<p>The requirements of SEPP58 were in place in the first 6 months of the audit period to 31 December 2006 after which the Regional Environmental Plan was implemented. A number of development applications were, however, processed after 1 January 2007 as they were received by Councils prior to the implementation of the REP. The SCA advised that they have processed:</p> <ul style="list-style-type: none"> ▪ 674 development proposals in total for 06/07 of which: <ul style="list-style-type: none"> ○ 553 were assessed under Part IV of EP&A Act ○ 121 were assessed under Part V of EP&A Act ▪ 69.2% of Part IV proposals were assessed within the statutory timeframe. <p>As discussed in previous audits there still does not appear to be any formal notification link between the SCA and Councils, however, the requirements of SEPP58 have now been superseded with the implementation of the REP.</p> <p>As discussed in respect to Clause 4.3.1, the introduction of the REP and the requirement under the Section 117 Ministerial Direction for Councils to prepare Local Environment Plans (LEPs) are yet to be fully implemented. It is anticipated that these new statutory instruments may provide for clear formal links between the SCA and Councils.</p> <p>Again, it is recommended that the requirements of this clause be further assessed once the REP and LEPs have been fully implemented and the audit of the state of the catchment lands has been completed, ie as part of the next Operational Audit.</p>

5.4

Summary of Compliance

The Audit process identified a strong level of compliance for the requirements of the Operating Licence in respect to Catchment Management and Protection, with eight (8) of the twelve (12) requirements rated as FULL compliance and the remaining four (4) rated as HIGH compliance.

This result compares favourably to the findings of the 2005-2006 Operational Audit, when three (3) of the four (12) requirements were rated as FULL compliance, one (1) was rated as HIGH compliance and the remaining eight (8) were assessed as being NOT AUDITABLE, primarily due to that fact that the requirements for reporting on catchment management and protection had not fallen due and the Regional Environmental Plan has not been introduced during the 2005-2006 Audit Period.

The HIGH compliance rating achieved in the 2005-2006 Operational Audit related the SCA's obligations under the State Environmental Planning Policy 58.

5.5

Factors affecting Compliance

5.5.1

Reporting on Catchment Management and Protection Activities

HIGH compliance ratings were assigned in respect to Clauses 4.1.3(a) and 4.1.3(c) which specify requirements in respect to the format and content of information to be provided to IPART on the SCA's catchment management and protection activities for the previous financial year. In particular, Clause 4.1.3(a) requires that the format and content of the information provided must be agreed between the SCA and IPART.

Whilst the SCA did submit a draft report to IPART for review, the final *Sydney Catchment Authority Catchment Management and Protection Activities Report 2005-06* does not incorporate IPART's comments in respect to the format and content of the report. Furthermore, it is considered that the SCA could have been more timely and proactive in gaining IPART's comments on the draft report, which would have enabled their incorporation into the final Report prior to the required submission date.

Clause 4.1.3(c) requires that the information provided must explain any annual changes in catchment management and protection activities or programs and expenditure. This requirement was specifically raised in IPART's comments in respect to the format and content of the draft report, and was not subsequently addressed.

The SCA advised that the comments provided by IPART are being included in the 2006-2007 Catchment Management and Protection Activities Report, submission of which was not due during the Audit Period.

5.5.2

Regional Environmental Plan/State Environmental Planning Policy

HIGH compliance ratings were assigned in respect to Clauses 4.3.1 and 4.4 which require the SCA to comply any obligations imposed on it under the Regional Environmental Plan (1 January 2007 onwards) and the State Environmental Planning Policy 58 (prior to 1 January 2007).

The HIGH compliance rating was assigned primarily due to the continued absence of any formal notification links between the SCA and Councils in respect to the assessment of development applications, the setting of conditions of consent and the enforcement of the conditions of consent.

It is noted that the SCA has no regulatory power to enforce the implementation of consent conditions, and relies on the powers under its Regulations to monitor development through random audits.

This issue was raised during the 2005-06 Operational Audit, and was the subject of a suggestion made by IPART to the Minister for Climate Change, Environment and Water that the SCA should have a direct role in enforcing conditions of consent that protect water quality for developments in catchment areas.

The Minister has noted the introduction of the Regional Environment Plan (REP), effective from 1 January 2007, and the introduction of Section 117 Ministerial Direction, also effective from 1 January 2007, which requires Councils to implement Local Environment Plans (LEPs) in accordance with water quality protection principles. The Minister considers that given the introduction of new powers under these instruments, it would be premature to consider a change to State planning legislation, which would be required to effect IPART's suggestion.

It is noted that the SCA has developed a tool for use in assessing development applications using the Neutral or Beneficial Effects (NorBE) model, and has been training development consent authorities (Councils) in the use of the model.

It is also suggested that in order for the SCA to increase its level of compliance in respect to this requirement of the Operating Licence, it may be appropriate to implement a more structured audit plan to monitor:

- the implementation of the guidelines, specifically the NorBE model, by consent authorities when assessing development applications; and
- the implementation of consent conditions.

It is considered that the requirements of Clause 4.3.1 should be further assessed, once the REP and LEPs have been fully implemented (most likely as part of the next Operational Audit), to review the effectiveness of these new instruments. It is noted that the requirements of Clause 4.4 ceased after 31 December 2007, when SEPP 58 was replaced by the REP.

5.6

Recommendations

It is recommended that the requirements of Clause 4.3.1 be further assessed, once the Regional Environmental Plan and relevant Local Environmental Plans have been fully implemented, to review the effectiveness of these new instruments in respect to the monitoring and control of development applications.

6 The Environment

6.1 *Overview of Requirements*

Under the provisions of Part 5 of the Operating Licence, the SCA is required to:

- produce a 5 year Environmental Plan (by 1 September 2006) with all aspects, impacts, target and timelines outlined and the plan recognised in the Business Plan. A progress report is to be to IPART annually; and
- provide IPART with an annual Catchment and Environmental Performance Indicators results for each catchment with accompanying trend analysis.

6.2 *Summary of Findings*

Clause 5.1.1

Requirement: SCA must prepare a five year Environment Plan with a draft prepared by 30 April 2006 and the final prepared by 1 September 2006. The plan must be made available to the public.

Compliance: **Compliance with Environment Plan** **Full**

Comments: SCA prepared both a draft Environment Plan and a final Environment Plan. The draft Environment Plan was prepared by 30 April 2006 as required. The final Environment Plan was completed and submitted to IPART on 4 August 2006, and was made available to the public on the SCA web site on 30 August 2006.

Clause 5.2.1

Requirement: SCA must monitor, record, compile data and provide information on the Catchment and Environmental Performance Indicators for the preceding financial year or otherwise in accordance with the reporting frequency indicated in Schedule 2.

Compliance: **Compliance with the compilation and provision of information in relation to Catchment and Environmental Performance Indicators** **Full**

Comments: SCA has facilities that enable it to monitor, record, compile data and provide information on the required Performance Indicators. SCA also provided copies of reports that demonstrated that information on the Performance Indicators has in fact been recorded, compiled and provided for reporting purposes.

Clause 5.2.2

Requirement:	By 30 November each year, SCA must provide information on its performance for the previous financial year with the reporting frequency indicated in Schedule 2, against the.
Compliance:	Compliance with Schedule 2 reporting Full
Comments:	SCA provided information demonstrating that its performance against the Catchment and Environmental Performance Indicators had been reported in a number of documents by 30 November 2006.

Clause 5.2.3

Requirement:	The information reported in accordance with Clause 5.2.2 must be provided in relation to each sub-catchment, must be provided in a manner that enables year to year comparison and must be accompanied by an analysis of trends.
Compliance:	Compliance with Schedule 2 reporting format High
Comments:	SCA provided information demonstrating that the information on its performance against the Catchment and Environmental Performance Indicators is provided generally in accordance with the required format, however, the information was found to be somewhat disjointed.

6.3 *Details of Compliance*

Table 6.1: The Environment - Compliance Level

Clause	Requirement	Compliance	Comments
5.	The Environment		
5.1	Environmental Plan		
5.1.1	The SCA must prepare a draft five-year environment plan (Environment Plan) by 30 April 2006, and a final Environment Plan by 1 September 2006. The final Environment Plan must be made available to the public.	Full	<p>SCA have prepared a draft and final Environment Plan. The draft Plan was prepared by 30 April 2006 while the final Plan was completed and submitted to IPART in a letter dated 4 August 2006.</p> <p>The final Environment Plan was published to the SCA's website on 30 August 2006 and can be found at the following address: www.sca.nsw.gov.au/publications/files/SCA20062010EnvironmentPlan.pdf</p> <p>The Plan is available to the public on the SCA's website at the address above, and is able to be downloaded and printed at all SCA offices. No fee is charged for a printed copy of the Plan.</p>
5.2	Catchment and Environmental Performance Indicators		
5.2.1	The SCA must monitor, record, compile data and provide information on the Catchment and Environmental Performance Indicators for the immediately preceding financial year or otherwise in accordance with the reporting frequency indicated in Schedule 2.	Full	<p>The SCA has developed a comprehensive database that details all of the SCA's reporting requirements against the Operating Licence including the Catchment and Environmental Performance Indicators required under this clause. The database details the specific requirements of the clause, responsibilities for reporting against the requirements, deadlines and frequencies for reporting, and provides facilities for uploading and reviewing reports produced.</p> <p>This database provides the facility for the SCA to monitor, record, compile data and provide information on the performance indicators required.</p>

Clause	Requirement	Compliance	Comments
			<p>Additionally, the SCA's performance against these indicators is also collected and assessed in the preparation of the following reports:</p> <ul style="list-style-type: none"> ▪ Annual Report; ▪ Catchment Audit and Catchment Management & Protection Activity Report; and ▪ Water Quality Monitoring Report. <p>These reports provide more specific evidence that the Performance Indicator data has been recorded and compiled (and subsequently reported).</p> <p>Refer also to comments in respect to Clauses 5.2.2 and 5.2.3 below.</p>
5.2.2	By 30 November each year, the SCA must provide information on its performance, for the previous financial year or otherwise in accordance with the reporting frequency indicated in Schedule 2, against the Catchment and Environmental Performance Indicators	Full	<p>The SCA has provided a copy of the covering letter for the 30 November report for the 2005-06 financial year indicating that a summary of performance against indicators listed in Schedule 2 of the Operating Licence was included, however, a copy of the summary information itself was not provided.</p> <p>The SCA also indicated that the it's performance against these indicators is collected and assessed in the preparation of the following reports:</p> <ul style="list-style-type: none"> ▪ Annual Report; ▪ Catchment Audit and Catchment Management & Protection Activities Report; and ▪ Water Quality Monitoring Report. <p>The SCA provided some details of the reporting schedules and methods for the following indicator groups:</p> <ul style="list-style-type: none"> ▪ Ecological Health - reporting timeframe 30 November, reported in the Catchment Management and Protection Activities Report;

Clause	Requirement	Compliance	Comments
			<ul style="list-style-type: none"> Management of Catchment – reporting timeframe 30 November, reported in the Catchment Management and Protection Activities Report; and <p>Impact on environment – reporting timeframe 1 September, reported in the Annual Report.</p>
5.2.3	<p>The information referred to in Clause 5.2.2:</p> <ul style="list-style-type: none"> a) must be provided, where such data is available, in relation to each sub-catchment in the Catchment Area b) must be provided in a manner which enables a financial year to financial year comparison in relation to the SCA's performance against the Catchment and Environmental Performance Indicators and, in particular, where such data is available, a comparison with historical annual values over at least the previous 12 financial years c) must be accompanied by an analysis of trends in the data (including possible causes or actions proposed in response to any improvement or deterioration in performance) 	High	<p>The SCA provided details of indicators that can be reported by sub-catchment area, with historical information and with trend analysis in an email and attachments dated 1 December 2006. Some information was also provided in these forms in the Annual Water Quality Monitoring Report for 2005-06, however, the information provided is disjointed and disparate.</p> <p>The SCA has also provided details of the location of information in respect to the indicators, as follows:</p> <ul style="list-style-type: none"> Ecological Health Indicators – reported in the Annual Water Quality Monitoring Report and the Catchment Management and Protection Activities Report, which were both provided to IPART as attachments to a letter dated 29 November 2006; Management of Catchment Indicators – reported in the Catchment Management and Protection Activities Report; and Impact on Environment Indicators – reported in the Annual Report. These indicators also form part of the SCA's 2006-2010 Environment Plan, and were reported in the Annual Report. Extracts from the draft Annual Report, incorporating the progress report against the Environment Plan and these indicators, was provided to IPART on 1 September 2006 together with other 1 September reports. The SCA Annual Report was provided to the SCA Minister on 30 October 2006. <p>The SCA also noted that the information was made available on the SCA web site as part of the 1 September reporting requirements.</p>

Clause	Requirement	Compliance	Comments
			Notwithstanding the above, it is considered that the reporting is disjointed and it is suggested that the SCA need to provide the performance information against the Schedule 2 indicators in a summary format. The SCA has advised that they have endeavoured to make reporting of the indicators less disjointed in the reporting for the 2006-07 year.

6.4 *Summary of Compliance*

The Audit process identified a strong level of compliance for the requirements of the Operating Licence in respect to The Environment. Of the four (4) requirements assessed, three (3) were rated as FULL compliance and one (1) as HIGH compliance.

This result again compares favourably to the findings of the 2005-2006 Operational Audit, when one (1) of the four (4) requirements were rated as FULL compliance and the remaining three (3) were assessed as being NOT AUDITABLE, primarily due to that fact that the requirements for reporting on the Catchment and Environmental Performance Indicators had not fallen due during the 2005-2006 Audit Period.

6.5 *Factors affecting Compliance*

The HIGH compliance rating was assessed in respect to Clause 5.2.3 which requires that information provided by the SCA on its performance in respect to the Catchment and Environmental Performance Indicators must be provided in respect to each sub-catchment, must be provided in a manner that enables year to year comparison and must be accompanied by an analysis of trends.

It was found that the information presented by the SCA was disjointed, with reference made in its submission to IPART to a number of separate documents in which the information was provided. Due to the disjointed manner in which the information was presented, it was difficult to confirm that requirements in respect to year to year comparisons and the analysis of trends had been included.

It is suggested that, in order to fully meet the requirements of the Operating Licence, the SCA could either:

- provide a more detailed explanation in the submission covering letter (or other instrument) of where the specific information could be found in the referenced documents; or
- provide a single dedicated report containing the full extent of information required under this requirement (it is acknowledged that the SCA is seeking to gain efficiencies in reporting by not preparing such a dedicated report).

6.6 *Recommendations*

No recommendations are made in respect to Part 5 of the Operating Licence.

7 Management of Catchment Infrastructure Works and Water Conservation

7.1 *Overview of Requirements*

Under the provisions of Part 6 of the Operating Licence, the SCA is required to:

- operate the Catchment Infrastructure Works (CIW) with:
 - minimal risk to human health; and
 - as per the design criteria;
- re-calculate the Water Supply System Yield (WSSY) should there be an end to drought conditions, significant infrastructure modification, or changes to operating rules. Results are to be supplied to the Minister and made available to the public;
- have the WSSY independently reviewed at least once during the term of the operating license and make the results available to the public; and
- minimise water losses wherever practical and results and recommendations made available to the public.

7.2 *Summary of Findings*

Clause 6.1.1

Requirement: SCA must manage and operate the Catchment Infrastructure Works to minimise the risk to human health from the Bulk Raw Water it supplies.

Compliance: **Compliance with Catchment Infrastructure Works management** **Full**

Comments: SCA has undertaken an extensive range of actions to manage the Catchment Infrastructure Works including developing and implementing management policies and operating procedures, undertaking scenario planning and exercises, and construction and upgrade of infrastructure works.

Clause 6.1.2

Requirement: SCA must operate and manage the Catchment Infrastructure Works consistent with the Design Criteria.

Compliance: **Compliance with Design Criteria** **Full**

Comments: SCA uses tools such as system balancing rules, the Decision Support Tool and the WATHNET model to determine system yields that allow compliance with the various Design Criteria.

Clause 6.2.1, 6.2.2 & 6.2.3

Requirement: Within 12 months of the Commencement Date, ie by April 2007, SCA must report to IPART on the current Water Supply System Yield including assumptions made and details of any material changes to the Design Criteria. SCA must provide the Minister with a copy of the report and make the report publicly available.

Compliance: **Compliance with system yield reporting** **Full**

Comments: SCA submitted a report covering the requirements of this clause to IPART on 21 February 2007. A copy of the report was provided to the Minister on 7 November 2006 (ie prior to it being provided to IPART) and was made publicly available on the SCA web site on 28 June 2007.

Clause 6.2.4, 6.2.5 & 6.2.6

Requirement: SCA must recalculate the Water Supply System Yield on the occurrence of any one or more of the following events - drought; modification or augmentation of Works; and/or changes to operating rules or Design Criteria. SCA must advise the Minister of any changes to the Water Supply System Yield following such recalculation and provide details of the changes available to the public.

Compliance: **Compliance with system yield recalculation** **NA**

Comments: SCA advised that none of the nominated events occurred during the Audit Period and, as a consequence, recalculation of the system yield under this clause had not been required.

Clause 6.4.3

Requirement: Within 12 months from the commencement date, SCA must produce a report which recommends appropriate actions and timeframes for the SCA to manage leakage and loss activities, and make such report available to the public.

Compliance: **Compliance with leakage/loss reporting** **Full**

Comments: SCA produced a report entitled *Leakage and Loss Management in the Water Supply System, April 2007*. That report was submitted to IPART on 20 April 2007 and made available to the public on the SCA web site on 7 June 2007.

7.3 *Details of Compliance*

Table 7.1: Management of Catchment Infrastructure Works and Water Conservation - Compliance Level

Clause	Requirement	Compliance	Comments
6.	Management of Catchment Infrastructure Works and Water Conservation		
6.1	Management of Catchment Infrastructure Works		
6.1.1	The SCA must manage and operate the Catchments Infrastructure Works to minimize risk to human health from the Bulk Raw Water it supplies.	Full	<p>SCA undertake an extensive range of actions to protect human health including developing and maintaining management plans including – Bulk Water Supply Protocols, Corporate Plan, Corporate Incident Management Framework, Raw Drinking Water Quality Management Framework, Standard Operating Procedures, and the Water Quality Monitoring Program, among others.</p> <p>SCA undertake scenario planning and exercises where the processes and procedures are tested under real world conditions. SCA's processes were tested a number of times during the audit period with an exercise organised for late 2006 and an actual turbidity incident at Warragamba Dam. The SCA provided an Operational Debrief document which identifies lessons learnt and opportunities for improvements to processes.</p> <p>SCA have also completed construction of a pumping station at Prospect Reservoir which allows Warragamba Dam to be taken out of service for up to a month and water supplied from Prospect Reservoir. This process has already been tested during recent water quality incidents.</p> <p>The SCA's catchment infrastructure assets are managed in accordance with SCA's Asset Management Strategy, System Management Plans and Standard Operating Procedures.</p>

Clause	Requirement	Compliance	Comments
			<p>SCA regularly meets with customers and NSW Health to discuss water quality issues and have provided meeting minutes from a Strategic Operational Interface meeting with Sydney Water showing water quality issues being discussed.</p> <p>SCA also indicated that it is also protecting human health by complying with all requirements imposed by the NSW Dam Safety Committee.</p>
6.1.2	The SCA must ensure that the Catchment Infrastructure Works are operated and managed consistent with the Design Criteria.	Full	This issue was investigated in detail during the 2005-06 Operational Audit. The SCA uses tools such as system balancing rules, the decision support tool and the WATHNET model to determine system yields that allow compliance with the various design criteria required. The SCA has updated the system yield as required under Clause 6.2.1 and has detailed the design criteria used in this report. None of the events listed under Clause 6.2.4 occurred during the reporting period to trigger a further re-calculation of the yield.
6.2	Water Supply System Yield		
6.2.1	<p>Within 12 months of the Commencement Date, the SCA must provide IPART with a report on:</p> <ul style="list-style-type: none"> a) the current estimate of the Water Supply System Yield; b) the assumptions and inputs, including the Design Criteria used in the model to calculate the Water Supply System Yield; and c) the reasons underlying any material changes to the Design Criteria, the Water Supply System Yield or other assumptions and inputs. 	Full	<p>The SCA has produced a report covering the three requirements of this clause and submitted the report to IPART on 21 February 2007, ie prior to the April 2007 due date.</p> <p>The SCA has provided a copy of the report entitled <i>Review of Sydney's Water Supply System Yield</i> and also provided a copy of a second draft report entitled <i>Climatic Variation and Greater Sydney's Water Supply System</i>.</p> <p>These reports provide specific details on the current yield of the water supply system, the assumptions and inputs to the model, and the reasons underlying changes to the design criteria and other assumptions and inputs.</p>
6.2.2	The SCA must provide the Minister with a copy of the report required under Clause 6.2.1, prior to reporting to IPART.	Full	The SCA provided the system yield report to the Minister on 7 November 2006 and the report was subsequently noted by the Minister on 13 November 2006 which is well prior to providing the report to IPART.

Clause	Requirement	Compliance	Comments
6.2.3	As soon as practicable after reporting to IPART as required under Clause 6.2.1, the SCA must make the report publicly available.	High	The SCA indicated that the report was made public on 28 June 2007 on the SCA's website. This was confirmed by a copy of a printout from the website Content Management System.
6.2.4	<p>The SCA must re-calculate the Water Supply System Yield on the occurrence of any one or more of the following events:</p> <ul style="list-style-type: none"> a) the conclusion of any drought event; b) the commencement of any major modification or augmentation to the Catchment Infrastructure Works or the Water Supply System Infrastructure which will have a significant impact on the SCA's supply of water; and c) any material change to the operating rules of the Catchment Infrastructure Works (including Design Criteria). 	NA	The SCA stated that no trigger events had required the recalculation of the system yield separately to the recalculation that was undertaken as part of the requirements of Clause 6.2.1.
6.2.5	The SCA must advise the Minister of any changes to the Water Supply System Yield from the previous Water Supply System Yield following a re-calculation under Clause 6.2.4.	NA	Refer response to the requirements of Clause 6.2.4 above.
6.2.6	The SCA must make any changes to the Water Supply System Yield available to the public, including reasons for the changes to the Water Supply System Yield, as soon as practicable after advising the Minister of those changes in Clause 6.2.5.	NA	Refer response to the requirements of Clause 6.2.4 above.

Clause	Requirement	Compliance	Comments
6.4	Water Conservation		
6.4.3	<p>Within 12 months from the Commencement Date, the SCA must produce a report which recommends appropriate actions and timeframes for the SCA to manage leakage and losses, and make that report available to the public. That report must take into account and state how it has taken into account the following:</p> <ul style="list-style-type: none"> a) the economic level of leakage; b) technical feasibility; c) environmental, economic and social factors; d) previous studies on leakage and losses; and e) the estimated measurable impacts on water loss from mining activities on the Catchment Area. 	Full	<p>The SCA has produced a 'Leakage and Loss Management in the Water Supply System – April 2007' report and stated that the report was submitted to IPART on 20 April 2007, as evidenced by a copy of the covering letter. This followed an email dated 5 April 2007 from the SCA (Simone Greenaway) to IPART (Colin Reid) advising that the report was to be considered by the SCA Board at it's first available meeting on 20 April 2007.</p> <p>The SCA indicated that the report was made public on the SCA's website on 7 June 2007. This was confirmed by a copy of a printout from the website Content Management System.</p>

7.4

Summary of Compliance

The Audit process again identified a strong level of compliance for requirements of the Operating Licence in respect to Management of Catchment Infrastructure Works and Water Conservation. A total of nine (9) requirements were assessed, five (5) of which were rated as FULL compliance, one (1) was rated as HIGH compliance and the remaining were assessed as being NOT AUDITABLE as recalculation of the Water Supply System Yield was not triggered during the Audit Period.

This result again compares favourably to the findings of the 2005-2006 Operational Audit, when two (2) of the nine (9) requirements were rated as FULL compliance and the remaining seven (7) were assessed as being NOT AUDITABLE, primarily due to that fact that the requirements for reporting on the current Water Supply System Yield had not fallen due during the 2005-2006 Audit Period.

7.5

Factors affecting Compliance

The HIGH compliance rating was assessed in respect to Clause 6.2.3 which requires that *As soon as practicable after reporting to IPART* (in respect to the Water Supply System Yield) *as required under Clause 6.2.1, the SCA must make the report publicly available.*

It was found that a period of four (4) months had elapsed from the time the report on the Water Supply System Yield was submitted to IPART and the time it was made publicly available on the SCA web site. This is not deemed to be “as soon as practicable”.

7.6

Recommendations

No recommendations are made in respect to Part 6 of the Operating Licence.

8 Stakeholder Consultation

8.1 Overview

As part of the Audit process, the Auditors consulted with a number of key stakeholders to gain their comments in respect to the SCA's performance against the requirements of the Operating Licence. Letters were sent to the following stakeholders:

- Sydney Water Corporation;
- Department of Water and Energy;
- Department of Environment and Climate Change;
- NSW Health;
- Shoalhaven City Council; and
- Wingecarribee Shire Council.

These letters sought comment in respect to the SCA's performance against the requirements generally and, where appropriate, specific requirements of the Operating Licence.

8.2 Stakeholder Comments

8.2.1 Sydney Water Corporation

In a letter dated 31 October 2007 (refer **Appendix D**), Sydney Water provided the following overall comments in respect to the SCA's performance:

- Sydney Water is satisfied with the performance of the SCA with respect to the provision of raw water to Sydney Water under its Operating Licence and the Bulk Water Supply Agreement; and
- The recent Warragamba turbidity incident is an example of the cooperative partnership that exists between Sydney Water and the SCA, and NSW Health as the regulator.

Sydney Water further advised, as follows:

- In respect to the requirements of Clause 3.4(b) of the Operating Licence, which requires the SCA to *liaise, cooperate and where possible agree on cost effective strategies (and the timing of their implementation) with Customers to ensure treated water consumed by humans is not harmful to human health*:
 - The SCA has provided Sydney Water with sufficient data and reports to demonstrate that they have met their performance requirements under Clause 5.3, Schedule 2 of the Bulk Water Supply Agreement, which demonstrates a key aspect of compliance with Clause 3.4(b) of the Operating Licence.

- Sydney Water and the SCA have established processes for consultation at different levels of management, including the weekly Strategic Operations Interface Group meeting. The Strategic Operations Interface Group meets to discuss and resolve issues related to day-to-day water quality performance, quantity issues and incidents. The SCA works closely with Sydney Water through these reviews to optimise and/or coordinate activities across storages, treatment and distribution systems.
 - The Strategic Operations Interface Group meetings have also proven useful in keeping process and interface documents and procedures current and relevant.
 - Sydney Water is satisfied with the level of consultation by SCA through the Strategic Operations Interface Group meetings.
- In respect to the SCA's performance in relation to a recent turbidity incident at Warragamba Dam in late June 2007:
 - The SCA and Sydney Water have a set of protocols and processes to respond to any incident affecting raw water quality or volume. These protocols have been tested previously through regular joint agency practice exercises.
 - The SCA responded to the June turbidity incident in general compliance with the protocols and provided the appropriate level of interaction required by Sydney Water. Interaction regarding this incident is continuing, in terms of assessment of performance and identification of improvement actions as necessary.
 - Overall, the SCA's Bulk Raw Water Quality Incidence Response Plan forms an effective mechanism for the SCA, Sydney Water and NSW Health to quickly and transparently deal with these types of raw water incidents.

8.2.2

Department of Water and Energy

In a letter dated 5 November 2007 (refer **Appendix D**), the Department of Water and Energy (DECC) provided the following comments in respect to the SCA's performance:

- In respect to Clause 3.6.4, which requires that the Monitoring Program implemented by the SCA in relation to targeted, investigative and event based monitoring to include *an effective system of quality assurance in the monitoring, sampling, testing and reporting processes, which may be to the satisfaction of NSW Health and DNR [now DWE]*:
 - The Department of Water and Energy believes that the SCA could improve reporting on the Quality Assurance/Quality Control system, which would increase confidence in water quality monitoring results. The draft report for 2006-07 does not address comments made by the Department in respect to the previous Annual Water Quality Report.

- The Department has identified a number of specific areas where it considers improvements could be made to the Quality Assurance/Quality Control reporting.
- In respect to Clause 3.8, which requires the SCA to *meet the environmental water quality requirements for any discharges or water releases required under licences issued to the SCA by DEC [now DECC] or DNR [now DWE]*:
 - Key roles of the SCA's Water Management Licence are:
 - to ensure environmental water releases are made; and
 - to minimise harm done to the environment through bulk water transfers.
 - The SCA met its water release requirements under the Water Management Licence for the 2006-2007 period.

The Department also provided comment in respect to the SCA's obligations under Clause 2.3.2(b) of the Operating Licence, which relates to the SCA's Memorandum of Understanding with the Water Administration Ministerial Corporation (WAMC). As Clause 2.3.2(b) falls outside the scope of this report, these comments are not discussed.

8.2.3

Department of Environment and Climate Change

In a letter dated 26 November 2007 (refer **Appendix D**), the Department of Environment and Climate Change (DECC) provided the following comments in respect to the SCA's performance:

- The Department does not have any specific comments in respect to water quality incidents in SCA areas or consultation in respect to the Regional Environmental Plan and the Raw Drinking Water Quality Management Framework.
- The Department is not aware of any breaches of the SCA's Operating Licence during the 2006-2007 period.
- Department staff interact with SCA staff across the catchment and with regard to a diverse range of issues, including the shared management of lands. The relationship is generally excellent; Department staff report that SCA operational staff are helpful and cooperative, and there is smooth sharing of resources, information and facilities in the field. There may, however, be some room for improvement in communication between the two organisations when working on issues.

8.2.4

NSW Health

In a telephone discussion on 20 November 2007, a representative of NSW Health indicated that:

- NSW Health is satisfied that the SCA has met the requirements of the Licence.
- The relationship between the SCA and NSW Health has worked well.

- NSW Health was consulted in respect to the Regional Environmental Plan and the Raw Drinking Water Quality Management Framework, and they were satisfied with the process.
- NSW Health was satisfied with the SCA's response to turbidity, taste and odour issues in the Illawarra area.

These comments were confirmed in a letter dated 28 November 2008 (refer **Appendix D**), in which NSW Health also advised that:

- The SCA had worked effectively with Sydney Water to manage high turbidity that entered Warragamba Dam as a result of heavy rains in June 2007. The selection of appropriate quality source water provided extra protection to the drinking water supplied during this event.
- The matter regarding the status of turbidity as a monitoring characteristic has not yet been finalised.

8.2.5

Shoalhaven City Council

In a telephone discussion on 26 November 2007, a representative of the Shoalhaven City Council provided the following comments:

- Acknowledged the implementation of the Regional Environmental Plan and the Local Environmental Plans (LEPs) which are being implemented by Councils.
- Indicated that the training presented by the SCA in respect to the 'NorBE' model for assessing development applications had been "fine" and that Council staff are making assessments on the basis of that training. The computer based tool used in undertaking the assessments is "good".

A written response from the Shoalhaven City Council is still expected.

8.2.6

Wingecarribee Shire Council

In a telephone discussion on 26 November 2007, a representative of the Wingecarribee Shire Council provided the following comments:

- Council purchases bulk water from the SCA.
- Council and the SCA have been involved in a reference panel with other local government authorities.
- Council and the SCA have participated in risk assessment studies, with one particular instance related to the Wingecarribee Swamp.
- The SCA has prepared a draft Bulk Water Supply Agreement which is currently in the Council's hands for review.
- Dealings with the SCA in respect to the following have been quite satisfactory:
 - operational matters;
 - water quality; and
 - warnings of variations in water quality.

Further comment is being sought in respect to the implementation of the Regional Environmental Plan and training provided by the SCA in respect to the 'NorBE' model for assessing development applications.

9 General Comments

9.1 *Improvement Opportunity*

The Audit process has led to the identification of an area for potential improvement which relates to:

- the manner in which documents are submitted by the SCA to IPART when such submission is required in accordance with the Operating Licence; and
- the manner in which the receipt of such submissions are acknowledged by IPART.

There were some instances where it was difficult to verify with certainty the timing of a submission, partly because submissions (including undated covering letters) had been made via email transmittal and copies of signed and hand dated covering letters were provided as evidence.

It is considered that the development of formal protocols for the submission of information to IPART, and the acknowledgement of receipt of such information by IPART, would be beneficial.

9.2 *Recommendations*

It is recommended that the SCA and IPART develop formal protocols for:

- the submission of information by the SCA to IPART; and
- the acknowledgement of receipt of such information by IPART.

Appendix A Operational Audit Brief

This Appendix includes the Brief prepared by IPART for undertaking this Operational Audit which is included to show the scope of services required.

Notice To All Intending Tenderers

This Notice To All Intending Tenderers must be read in conjunction with the Request for Tender ("RFT") for **2006-2007 Operational Audit of Sydney Water Corporation, Hunter Water Corporation and Sydney Catchment Authority**.

Details of the services the Tribunal requires, the timing and terms and conditions of the RFT are set out in that document.

The RFT is a legally binding document that sets out the conditions you must understand if you are to submit a tender in response to the RFT. These conditions will apply regardless of whether you are the successful tenderer. Your participation in any stage of the tender will be at your own risk, cost and expense.

Please read the RFT carefully. If you have any queries, or requests for further information please contact the person named in item 3 of Schedule 1 of the RFT.

Schedule 3 of the RFT sets out the procedures you are to follow and the format and substance you must consider when preparing your tender. The assessment criteria the Tribunal will apply to evaluate your tender are set out in Schedule 3.

The Tribunal may make changes to the RFT before the closing date for tenders and it will be assumed you have tendered on the basis of the RFT as at the date of the close of tenders. You have the choice of either:

- (a) keeping your own watch on the Tribunal's web site to keep yourself informed of any changes the Tribunal may make to the RFT; or
- (b) providing an email address to the person named at item 3, Schedule 1 of the RFT who will let you know if the Tribunal makes any changes to the RFT or if the Tribunal will hold a formal briefing for tenderers.

Note clause 5 of the RFT which describes the copies of your tender to be provided to the Tribunal. The opening of tenders is not a public process.

The form of the Consultancy Agreement is set out in Schedule 7 of the RFT and may be changed by the Tribunal at its absolute discretion prior to the tenderer and the Tribunal executing a form of the Consultancy Agreement.

The selection of the successful tenderer is at the Tribunal's absolute discretion and the Tribunal reserves the right not to accept any tender.

We look forward to receiving your tender.

Yours sincerely,

General Manager, Support Services

Some Background on the Regulatory Environment of the Water Utilities and the Request for Tender

Sydney Water Corporation (Sydney Water) is a State Owned Corporation that provides water, sewerage and some stormwater drainage services to about 4 million people within Sydney, Blue Mountains and Illawarra regions.

Hunter Water Corporation (Hunter Water) is also a State Owned Corporation that provides water, sewerage and some stormwater drainage services to almost 500,000 consumers within the localities of Newcastle, Lake Macquarie, Maitland, Cessnock and Port Stephens.

The Sydney Catchment Authority (SCA) was established to manage water supply and protect catchments, supply bulk water and regulate activities within the catchments to improve water quality, protect public health and protect the environment. It has primary responsibility for Sydney's bulk water supply, which is drawn from the catchments of four major river systems – the Warragamba, Upper Nepean, Woronora and Shoalhaven. These catchments extend over 16,000 square kilometres and surround the Greater Sydney Metropolitan Region.

The NSW Government has granted Operating Licences to these water utilities in accordance with the relevant enabling legislation (*Sydney Water Act 1994*, *Hunter Water Act 1991*, and *Sydney Water Catchment Management Act 1998*). A copy of the current Operating Licences can be found at www.sydneywater.com.au, www.hunterwater.com.au, and www.sca.nsw.gov.au. Licences for these utilities include a requirement that an annual Operational Audit of the utility's performance against its obligations under the respective Licence be undertaken. This Request for Tender refers to these audits. For Sydney Water and the SCA, the audits for 2006-07 will be conducted in accordance with the Tribunal's risk based approach. The details of the matters to be audited are included in the tender documentation.

It is intended that staff from the Tribunal's Secretariat will attend all audit meetings. The role of the Secretariat staff at these meetings is to facilitate discussion and manage any difficulties that arise between the auditor and the utility. This arrangement will also allow the Tribunal to be fully informed of the progress of these audits.

These audits are used by the Tribunal as the basis for its reports on the utility's performance and recommendations to the relevant portfolio Minister. The Department of the Environment and Climate Change, the Department of Energy and Water and NSW Health continue to regulate water utilities' activities concerning the environment, their use of water resources and public health respectively.

NSW is a signatory to the National Water Initiative. An obligation under this inter-governmental agreement is that each State collects data on benchmark indicators from certain water utilities. The audits of performance against the Operating Licences for both Sydney Water and Hunter Water will include audits of these NWI indicators. Indicator definitions are shown at http://www.nwc.gov.au/nwi/docs/2006-07_Handbook_WSAA.pdf. It should be noted that it will not be mandatory for utilities to provide data for all indicators in the WSAA document, only those designated as NWI indicators. Audit of other WSAA indicators will be voluntary, including indicators for the Sydney Catchment Authority. The Tribunal will provide the successful tenderer with an excel spreadsheet template to accommodate NWI data.



Request for Tender

RFT No W03/2007 – W05/2007

Operational Audit of Sydney Water Corporation

RFT W03/2007

Operational Audit of Hunter Water Corporation

RFT W04/2007

Operational Audit of the Sydney Catchment Authority

RFT W05/2007

IMPORTANT NOTE

This Request for Tender refers to three Operational Audits, namely audits of Sydney Water Corporation, Hunter Water Corporation, and the Sydney Catchment Authority.

Tenderers may wish to be considered for one or more of these audit projects.

Tenderers who wish to be considered for more than one audit need to submit a separate tender for each audit, noting the reference numbers: W03/2007, W04/2007, W05/2007.

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1. Introduction

The Independent Pricing and Regulatory Tribunal (the "Tribunal") is a body corporate established under the Independent Pricing and Regulatory Tribunal Act 1992 (NSW) and its role is described on the Tribunal's web site at <http://www.ipart.nsw.gov.au/>.

This document, including the Schedules, is a Request for Tender ("RFT") and is an invitation to suitably qualified persons or organisations to tender to provide the Services in Schedule 1.

Anyone who receives a copy of this RFT is referred to in this RFT as a tenderer whether or not they submit a tender in response to this RFT.

The conditions of Tender are set out in this RFT.

Tenderers must complete Schedule 2 and address the requirements of Schedule 3 in submitting their Tender.

Tenders must be lodged with the Tribunal by no later than the closing date set out in Item 2 of Schedule 1 ("Closing Date").

The criteria used by the Tribunal to evaluate tenders are set out in Schedule 3.

2. Application of these Conditions of Tender

Tenderers must make themselves familiar with all of the conditions of this RFT at the Closing Date and are deemed to have tendered on the basis of any changes which may be made to the RFT up to the Closing Date.

Tenderers will be deemed to have accepted all of the conditions of tender in this Request for Tender and must ensure that they comply with them in all respects.

3. Communications with Tenderers

Tenderers may be invited to attend a briefing by the Tribunal on this RFT.

The Tribunal will only provide notices and address correspondence under this RFT to tenderers at the addresses notified in writing to the Tribunal.

The Tribunal will not be responsible for any correspondence or notices not received by any tenderer.

4. Format of Tender

Each tender must be in writing and must comply with the requirements of this RFT.

5. Lodgement and Opening of Tenders

Tenderers must submit three hardcopies and one electronic "soft" copy (in a format compatible with Microsoft Word XP Professional) of its tender. One set of the hardcopy documents must be marked "ORIGINAL" and the other copies must be marked "COPY". The electronic "soft" copy should be sent by email to the General Manager, Support Services at the following email address: meryl_mccracken@ipart.nsw.gov.au. If any inconsistency arises between the copies, including the electronic "soft" copy, the hardcopy tender marked "ORIGINAL" will prevail.

The tenders in hardcopy must be submitted in a sealed envelope marked with the RFT reference number so that it is received by the Closing Date.

All documentation must be in the English language and, if relevant, refer to Australian dollars.

All information must be printed without alterations or erasures (unless each amendment is signed in ink).

Tenders must be addressed to:

"Operating License Audits 2006-07"
General Manager, Support Services
Independent Pricing and Regulatory Tribunal

and delivered to the following address by no later than the Closing Date:

At P O Box Q290
 QVB Post Office
 NSW 1230

Or The Tender Box, Level 2
 44 Market Street
 SYDNEY NSW 2000

Tenders will be secured in the Tender Box at the Tribunal on Level 2 of 44 Market Street, Sydney until after the Closing Date.

The opening of tenders is not a public process and neither tenderers nor their representatives are entitled to attend the opening of tenders.

All tenders must be provided free of charge to the Tribunal.

Tenders must not be sent directly to Michael Seery nor any other member of the Water Licensing Team.

6. Non-Compliance/Late Tenders

Any tender not complying with this RFT.

Any tender received after the Closing Date will be registered as a late tender.

The Tribunal reserves the right at its absolute discretion to accept or not accept late and/or non-complying tenders.

7. Consultancy Agreement

The successful tenderer will enter into a consultancy agreement with the Tribunal, in the form set out in Schedule 6.

Any consultancy agreement arising from this RFT will be between the Tribunal and the tenderer whose tender is accepted by the Tribunal.

Each tenderer is required to identify in its tender any clauses of the Consultancy Agreement with which it does not agree. The tenderer should propose alternative clauses for consideration by the Tribunal and the rationale for the proposed amendment.

If a tenderer does not indicate disagreement in its tender with a clause of the Consultancy Agreement, that tenderer will be deemed to have agreed with that clause. The tenderer is precluded from raising any objection to, or amendment of, any clauses of the Consultancy Agreement with which the tenderer has not disagreed in its tender.

Any standard printed conditions of contract of, or provided by, the tenderer will be rejected by, and will not be binding on the Tribunal.

The Tribunal reserves the right at its absolute discretion to accept, reject or agree to modifications or amendments proposed by tenderers to the Consultancy Agreement, or any part thereof.

8. Validity and Withdrawal

All tenders will remain valid for a period of 6 calendar months from the Closing Date.

A tender must not be withdrawn without the prior written consent of the Tribunal.

9. Clarification of Tenders

The Tribunal may seek clarification or request further information from tenderers after the Closing Date, as part of the selection process.

10. The Negotiation Stage

This clause is subject to clause 22.

The Tribunal may commence negotiations at its absolute discretion with the tenderers whose tenders are acceptable to the Tribunal.

The Tribunal reserves the right to negotiate with any tenderer until a satisfactory conclusion is reached for the Tribunal.

The negotiation by the Tribunal with any tenderer will not create any rights of any kind in favour of any tenderer in relation to, or for the purposes of, any agreement with the Tribunal or at all.

11. Award of Agreement

This clause is subject to clause 22.

No rights of any kind accrue to a tenderer whose tender is acceptable to the Tribunal until the tenderer and the Tribunal execute a form of the consultancy agreement in Schedule 6.

12. Amendments to RFT

If the Tribunal considers it necessary to make a change to the RFT before the Closing Date, the amendments will be posted on the web site of the Tribunal and is deemed to be a communication of the change to the RFT to tenderers. No oral explanation or change to any part of this RFT by any officer or agent of the Tribunal will be deemed to constitute an addendum.

The Tribunal may in its absolute discretion, by notice posted on the web site of the Tribunal before the Closing Date, do all or any of the following:

- a) vary or deviate from the processes as set out in this RFT;
- b) terminate or vary the RFT process;
- c) add to, vary or amend this RFT and the conditions in this RFT;
- d) require additional information from any tenderer;
- e) change the structure and timing of the RFT; and
- f) amend the scope of the Services required by the Tribunal in Schedule 1.

13. Tenderers to bear own costs and risk

Participation in any stage of the RFT will be at the tenderer's sole risk, cost and expense.

The Tribunal and its advisers, employees and contractors will not be responsible for any loss, damage or claim (whether direct, indirect or consequential) to the tenderer or any person arising out of this RFT, tendering to the RFT, the RFT process, the negotiation with tenderers, or awarding or not awarding of the tender or any other associated matter. In no event will the Tribunal be responsible for any loss of profits.

This clause 13 will survive the conclusion of all processes arising from the RFT.

14. Acceptance of Tenders

While the Tribunal may have regard to the requirements set out in Schedules 2 and 3, it retains an absolute discretion as to how it will assess the tenders.

15. No obligation to accept tenders and part tenders

The Tribunal will be under no obligation to accept any tender or part tender.

The Tribunal will be under no obligation to accept the lowest priced tender.

16. Access to further information

The Tribunal may decide to provide further information concerning this RFT before the Closing Date. If the Tribunal decides to provide further information it will notify all tenderers by notice posted on the web site of the Tribunal.

17. Contact of Referees

The Tribunal reserves the right to contact the referees of each tenderer.

18. Interviews

The Tribunal reserves the right to conduct interviews of one or more tenderers after the Closing Date. If an interview is required, the Tribunal will give reasonable notice to the tenderer.

19. Confidentiality and Privacy

In this document:

"confidential information" means all information of the Tribunal, in any form or media, including, without limitation, trade secrets, know-how processes, techniques, source and object codes, software, computer records, business and marketing plans and projections, details of agreements and arrangements with third parties, customer information and lists, designs, plans, drawings and models, but does not include:

- (a) information which is at the date of this RFT, or which subsequently becomes into the public domain other than as a result of disclosure by a tenderer, or a person receiving the confidential information from the tenderer, in breach of the conditions of this RFT;
- (b) information which a tenderer can establish by written records is at the date of this document already known to that person; or
- (c) information which a tenderer can establish to the Tribunal's satisfaction, was developed independently of the Tribunal or any agent or employee of the Tribunal.

In consideration of the Tribunal agreeing to disclose confidential information to a tenderer under or as part of this RFT, the tenderer:

- (a) acknowledges and agrees that any confidential information is secret and confidential and that any confidential information disclosed by the Tribunal to the tenderer is disclosed to the tenderer only for the purpose of this RFT and in reliance on, and pursuant to, the terms of the conditions of this RFT;
- (b) agrees to keep the confidential information secret and confidential at all times;
- (c) must not, without the prior written approval of the Tribunal, use, disclose, divulge or deal with any confidential information, nor cause, permit or allow any act, matter or thing to be done, omitted or occur whereby any confidential information may become known or be used by, or be disclosed or communicated to, any other person, except strictly in accordance with the terms of the conditions of this RFT; and
- (d) must return to the Tribunal or destroy all copies of the confidential information upon written demand by the Tribunal or upon the withdrawal of the tenderer from the RFT;

The tenderer acknowledges and agrees that the Tribunal may publish the following details of the Consultancy Agreement, if any, awarded under this RFT:

- (a) details of the Consultancy Agreement (including a description of Services to be completed, the term of the Consultancy Agreement, the commencement date and anticipated completion date);
- (b) the full identity of the successful tenderer;

- (c) the price payable by the Tribunal and the basis for future changes in this price; and
- (d) the significant evaluation criteria and the weightings used in this RFT.

If a tenderer includes information in its tender that it does not wish to be disclosed, it must identify that information in writing to the Tribunal and provide written reasons for such request prior to or on the Closing Date. Where the Tribunal does not agree with the tenderer's request the Tribunal will advise the tenderer accordingly and that decision will be binding on the tenderer.

This clause 19 will not merge with the execution of the Consultancy Agreement.

20. Intellectual property

Nothing in the RFT constitutes a transfer of intellectual property rights of the Tribunal (including intellectual property rights in the RFT) to any tenderer.

The Tribunal may, in its absolute discretion, by written notice, require that all written information provided to tenderers (and copies of the information) be returned to the Tribunal at any time.

21. Disclaimer

The Tribunal has taken reasonable care in the preparation of the RFT, however the information contained in this RFT and the information upon which it is based has not been independently verified or audited. Tenderers are encouraged to seek independent verification on any information about which they are unclear.

The statements, opinions, projections, forecast or other information contained in this RFT may change. Where any such information relates to future matters, no steps have been taken to verify that that information is based upon reasonable grounds. Actual future events may vary significantly from the forecast.

Neither this RFT nor any agreement made on the basis of this RFT, may under any circumstances be taken to create an implication that there will be no material change in the affairs of the Tribunal from the date of issue of this RFT.

The provisions of this disclaimer apply in relation to this RFT and also in relation to any other oral or written communications or disclosures to the tenderer or to any other person.

22. Other Reservations

By issuing this RFT the Tribunal is not required to negotiate or to enter into an agreement for the provision of the Services for tender with any person.

The Tribunal may elect to withdraw from the process described in the RFT and may terminate the RFT altogether.

The Tribunal has no obligation to consider and no obligation in respect of the manner, timing or basis of consideration of, any tender.

The Tribunal may at its absolute discretion, withdraw, change or suspend the RFT and its consideration of tenders and any part thereof.

Any decision to shortlist tenderers is for the convenience of the Tribunal and does not create any rights in any person. The Tribunal reserves the right at its absolute discretion to invite persons who do not respond to this RFT to participate in any subsequent tender for the Services.

The Tribunal may at its absolute discretion approve or reject any sub-contractors the tenderer may wish to appoint.

23. Tenderer's duty to inform themselves fully

Any person contemplating the submission of a tender and who is in doubt as to the true meaning of any part of the specification/requirements, requires further information or finds discrepancies in, or omissions from, the RFT may submit a written request for an explanation or correction no later than 14 days before the Closing Date. The Tribunal or its agents will respond to each written request and reserve the right to advise in similar terms all tenderers save that the source of the inquiry will not be disclosed.

In order to maintain equity in the tendering, Tenderers are advised that they should not seek information in regard to this RFT directly from staff and contractors employed by the Tribunal other than via the mechanism detailed in this clause.

Tenderers must only rely on written advice from the Tribunal.

24. Briefing for interested persons

The Tribunal may provide a formal briefing for tenderers. Tenderers attending are required to register at the briefing. The register of tenderers will be distributed to all tenderers within 2 working days after the briefing. If a tenderer has a query or requires further information that is not addressed at the briefing, the tenderer must make a request for information in writing and that request will be registered. The request and such answer as the Tribunal is able to provide will be sent to all registered persons who registered at the briefing.

Questions may be submitted in advance of the briefing to be answered at the meeting. The originator of the question will not be disclosed. Advance questions must be submitted in writing seven days prior to the briefing.

25. Supporting material

Supporting material is material additional to the tender which elaborates on or clarifies the tender but does not alter it in any material respect. Material presented as supporting material, which effectively alters the formal tender in any material respect, may not be accepted. Supporting material may be provided at the initiative of the tenderer or at the request of the Tribunal. Supporting material must be received by the Tribunal on or before the Closing Date unless specifically requested by the Tribunal subsequent to that date. The Tribunal reserves the right to disregard any unsolicited supporting material dispatched after the Closing Date. Supporting material must be

clearly labelled (identifying this RFT and its subject matter). The intention to submit supporting material in this manner must be clearly stated in the tender.

26. Improper assistance in Tender preparation

Tenders which have been compiled with improper assistance of employees of the Tribunal, ex-employees of the Tribunal, and/or contractors or ex-contractors of the Tribunal or that are found to have been compiled utilising information unlawfully obtained from the Tribunal will be excluded from further consideration.

The emphasis above is on improper assistance. It does not preclude tenderers using former Tribunal employees or former contractors of the Tribunal, provided they have not been involved in the development of the RFT. If anyone has any concern regarding the employment of former Tribunal employees or former contractors of the Tribunal they should raise their concern in writing.

27. Conflict of interest

Tenderers must warrant that to the best of their knowledge at the date of submitting the tender no conflict of interest exists by itself, by its employees or any sub-contractors or is likely to arise in relation to this RFT during the RFT selection process.

If during the course of the selection process a conflict or potential conflict of interest arises tenderers undertake to notify the Tribunal immediately in writing of that conflict or potential conflict of interest.

Tenderers must not, and must use their best endeavours to ensure that any employee, agent or sub-contractor of the tenderer does not, during the course of the selection process, engage in any activity or obtain any interest likely to conflict with or restrict the tenderer in being considered under this RFT and must immediately disclose to the Tribunal such activity or interest if it occurs.

In this clause 27 a conflict of interest includes, but is not be limited to, an employee of the tenderer being related to or having a close association with or influence over an employee of the Tribunal which may have the effect of influencing, or giving the appearance of influencing, the review of the tenders to the RFT.

28. Collusive bidding

Tenderers and their officers, employees, agents, sub-contractors and advisers must not engage in any collusive bidding, anti-competitive conduct or any other similar conduct with any other tenderer, or any other person in relation to the preparation or lodgement of tenders.

29. Use of documents and information provided

The Tribunal will have permanent and unrestricted use of all documents submitted in a tender, subject to any constraints set out in the RFT.

Despite clause 29(1), intellectual property (including confidential information) owned by the tenderer or third parties and contained in the documents will not pass to the

Tribunal. However, the Tribunal will be licensed to use or copy that intellectual property to the extent necessary to conduct an efficient selection process.

30. Freedom of Information

The Freedom of Information Act 1989 and provisions of the Independent Pricing and Regulatory Tribunal Act 1992 extend, as far as possible, to the right of the Australian community to access information in documentary form in the possession of the Tribunal, limited only by considerations of the protection of essential public interest and of the private and business affairs of persons in respect of whom information is collected and held by departments and public authorities.

Should a request for access to RFT documents be received, the Tribunal will consult with the tenderer before making any decision to grant access, subject to its obligations under the Freedom of Information Act 1989 and the Independent Pricing and Regulatory Tribunal Act 1992.

The Tribunal will not disclose, the following information about any contract awarded under this tender unless the tenderer agrees, or release is determined under the Freedom of Information Act 1989 and the Independent Pricing and Regulatory Tribunal Act 1992 or is otherwise legally required:

the tenderer's financing arrangements;

the tenderer's cost structure and profit margins; and

items of the tenderer having an intellectual property (including confidential information) characteristic but excluding ideas, concepts or know-how pertaining to the subject matter of the RFT.

The information included in an unsuccessful tender is treated as commercial-in-confidence material and will not be disclosed unless the tenderer agrees, or release is determined under the Freedom of Information Act 1989 and the Independent Pricing and Regulatory Tribunal Act 1992 or is otherwise legally required. However the Tribunal may use ideas, concepts or know-how obtained from the tenders in any manner the Tribunal deems appropriate.

31. Assignment

This RFT is personal to and not assignable or transferable by the tenderer without the prior written consent of the Tribunal, which consent may be declined at the Tribunal's absolute discretion.

32. Whole Agreement

To the extent of any inconsistency between the conditions of this RFT and: any correspondence or oral exchanges between the tenderer and the Tribunal; or any Schedule, appendix or annexure to this RFT, the conditions of this RFT will prevail.

33. Relationship

The relationship between the Tribunal and tenderers is that of independent contractors and no partnership, employment, agency or joint venture may be implied into the relationship.

34. Warranty to the Tribunal

Tenderers who submit a tender to this RFT are deemed to have warranted to the Tribunal that statements, representations and claims made in the tender are true and correct and are not misleading or deceptive or likely to mislead or deceive.

35. Assistance to the Tribunal in regard to enquiries and due diligence

By submitting a tender, tenderers acknowledge that the Tribunal may make enquiries of any person to assist in establishing the suitability of the tenderer and to undertake a due diligence review. Tenderers must provide all reasonable assistance to the Tribunal to undertake these tasks.

36. Electronic document

The Tribunal may provide an electronic copy of documents and material. While the Tribunal will use its reasonable endeavours to ensure that the electronic copy is "virus free", the Tribunal does not expressly or by implication warrant that the electronic copy will not contain viruses. Tenderers who choose to receive the electronic copy supplied do so entirely at their own risk.

Schedule 1 Services Required

1. Services

This Request for Tender refers to three Operational Audits, namely audits of Sydney Water Corporation, Hunter Water Corporation, and the Sydney Catchment Authority. The audits of Sydney Water and the Sydney Catchment Authority will be undertaken using a risk-based approach (discussed below). The audits of Sydney Water and Hunter Water will include an audit of indicators for the National Water Initiative (NWI) benchmarking program.

Tenderers may wish to be considered for one or more of these audit projects. Tenderers who wish to be considered for more than one audit need to submit a separate tender for each audit.

Objectives of Consultancy

The objective of each of these audits is to assess the utility's performance against the relevant Operating Licence for the period from 1 July 2006 to 30 June 2007. For Sydney Water and Hunter Water the audit will also assess performance against NWI benchmark indicators.

Risk-Based Audits

The Operating Licences for Sydney Water and the Sydney Catchment Authority now provide that audits may be undertaken using a risk-based approach. The Tribunal has decided to undertake the risk-based audits for the 2006/07 audit. Details of the clauses subject to audit are set out for each utility in Schedule 4 and Schedule 5 of this Request for Tender.

Detailed Scope of Work

Operational Audits

In undertaking the operational audits, the auditor must:

- a) conduct a detailed examination of those utility activities that are regulated by the Operating Licence, subject to the Tribunal's risk-based audit approach, where applicable;
- b) assess the level of compliance achieved by the utility against each of the requirements of the Operating Licence set out in the Tribunal's risk-based audit procedure, providing detailed supporting evidence for this assessment and reporting compliance according to the Tribunal's established compliance scoring methodology, set out in Schedule 6;
- c) assess and report on progress by the utility in addressing any comments made by the relevant portfolio Minister pertaining to previous audits, providing supporting evidence for these assessments. This correspondence will be provided to the successful tenderer;
- d) for each section of the Operating Licence that is to be audited, identify factors (if any) that have affected the utility's performance for the period from 1 July 2006 to 30 June 2007. This includes verifying the calculation of performance indicators associated with relevant requirements of the operating licences and undertaking an assessment of any underlying trends in performance arising from these indicators. Make recommendations to the Tribunal on how the utility can improve its performance in the future, based on the audit assessment;

- e) provide a formal briefing to the Tribunal or the Tribunal's Secretariat comprising an overview of the utility's overall performance against the requirements of the Operating Licence and the key findings of this assignment; and
- f) prepare a full report on the findings of the assignment, including a summary of the utility's overall performance against the audited obligations of the Operating Licence and detail of its compliance with each audited obligation of the Operating Licence and any requirements of the Minister in Attachment 1.

The auditor will be responsible for assessing and interpreting the audit requirements in the relevant Operating Licence and the Act and ensuring that the audit process satisfies all statutory requirements subject to the detailed audit scope - See Schedules 4 and 5 for Sydney Water and the SCA. Notwithstanding this, the audit report should reflect the emphasis of the legislation and the Operating Licence on water quality, system performance, environmental and consumer issues. Additionally, the Tribunal has identified some key issues for the 2006/2007 round of utility audits set out in the following table.

Utility	Issue
Sydney Water	<ul style="list-style-type: none"> • Risk based audit to be introduced. • Leakage Minimisation Program • Readiness of pumps (eg maintenance and testing) required for contingent raw water sourced from Prospect Reservoir
Hunter Water	<ul style="list-style-type: none"> • Drinking Water Continuity • Debt and disconnection
SCA	<ul style="list-style-type: none"> • Risk based audit to be introduced. • Inter-basin transfer raw water quality management • Storm Event Raw Water Quality management including Limnology Studies of Warragamba Dam and Prospect Reservoir • Conductivity fluctuation generally – environmental management

Under the Operating Licences, the water utilities are required to provide the Tribunal with a range of reports to inform the Operational Audit. This package of information will be provided to each successful tenderer.

The Tribunal will advertise these audit processes and seek submissions from the public. The auditor must take account of any public submissions received and the views of relevant regulators (Department of Environment and Climate Change, NSW Health and the Department of Water and Energy) and other stakeholders including environment, social welfare and public interest groups.

The Tribunal has determined that the Secretariat should undertake some aspects of future operational audits. The successful tenderer will be expected to provide the Secretariat with guidance in audit concepts and procedures. In this regard, tenderers should, in the first instance, allow for approximately half a day meeting by 1-2 key audit staff at Secretariat's Sydney office. The Secretariat will undertake a desk-top review of matters not subject to audit for Sydney Water Corporation and Sydney Catchment Authority as per Schedules 4 and Schedule 5 respectively, and will oversee Auditor/Licensee meetings, and may intervene in the successful tenderer's auditing areas during the course of the audit.

NWI Indicators

The Tribunal anticipates that the audit of NWI data will be done concurrently with the Operational Audits of Sydney Water and Hunter Water. The Tribunal will require that data and comments be entered into the electronic data templates and that these will be provided to the Tribunal by Friday 12 October, 2007.

In undertaking the NWI audit, for any measure not included in the Operational Audit, the auditor must ensure the consistency and comparability of audit results. This will include analysis of documented procedures, information and quality controls, and relevant data. Any changes in systems and documented procedures must be identified.

Compliance will need to be graded according to the NWI compliance scale, which will be provided to the successful tenderer. In cases of significant non-compliance, the auditor will need to assess the utility's business's plan to ensure compliance.

Outputs

The main outputs from each audit are:

1. two draft reports and a final written report addressing the objectives of the consultancy relevant to the Operating Licence and the Ministerial requirements.
2. discussions and meetings with the Tribunal and/or the Tribunal Secretariat, and
3. presentations to the Tribunal and/or Tribunal Secretariat which outline the major issues and findings relevant to the objectives.

Four bound copies and 1 loose-leaf copy, as well as electronic copies in Microsoft Word format, should be provided for the draft and final reports referred to in point 1 above. Details of the Tribunal's preferred format will be provided to the successful tenderer.

The first draft report should provide details of audit findings for each auditable requirement of the relevant Operating Licence. The second draft report should also include compliance assessment, commentary and relevant summaries.

On completion of the audit, the auditor's Operating Licence reports, working papers and advice provided to the Tribunal will become the property of the Tribunal. The final Operating Licence audit reports are provided to the relevant portfolio Minister (the Sydney Water audit report and the Sydney Catchment Authority report will be tabled in Parliament). Accordingly, the report should be clearly and logically set out and written in plain English, avoiding the use of unnecessary technical language. The Tribunal will also publicly display and make the report available for downloading on its website.

For the NWI audit, the Tribunal requires a 7 page WSAA excel data template be completed with relevant commentary.

Audit Process

The audit process for the tenderer is outlined as follows:

1. Meeting with IPART TEAM
2. Inception meeting with water utility
3. Development of audit questions
4. Interview with water utility at their offices
5. First draft report
6. Second draft report
7. Final report

Timing

The successful tenderer must be able to meet the following work schedule:

Activity	Hunter Water	SCA	Sydney Water
Advertise for Auditors	6 August	6 August	6 August
Tenders Close	24 August	24 August	24 August
Start Contract	31 August	31 August	31 August
First Draft Audit Report	28 September	28 September	28 September
NWI excel report complete	12 October	N A	12 October
Second Draft Audit Report	26 October	26 October	26 October
Discussion of Final Draft	9 November	16 November	16 November
Delegated Tribunal	14 November	21 November	21 November
Full Tribunal	22 November	29 November	29 November
Delivery of Final Report to Minister	30 November	7 December	7 December

Formal progress updates will be required from the consultant on a weekly basis. Formal review meetings will be required following the delivery of each draft audit report (early October and early November). Other progress meetings may be required. The detailed consultancy work plan should reflect these progress meetings and the audit process outlined above.

Proposal

The consultancy proposal should demonstrate an appreciation of the task and a description of the intended approach for carrying it out. It should list the personnel to be involved,

including resumes detailing relevant experience. A detailed work plan, which includes the allocation of resources to tasks, is also required.

2. Closing date for tenders

Tenders to this RFT must be lodged with the Tribunal by no later than 5:00 pm on Friday 24 August 2007 ("Closing Date").

3. Further Information

All enquires in relation to this RFT must specify the RFT Reference and must be directed in writing in hard copy format, facsimile, or e-mail to:

Name	Michael Seery
Telephone	(02) 9290 8421
Facsimile	(02) 9290 2061
E-mail	michael_seery@ipart.nsw.gov.au
Address	Level 2 44 Market Street SYDNEY NSW 2000

A detailed response that addresses all enquiries received will be provided to all tenderers.

Intending Tenderers are to submit their tenders to the address in section 5; they must not submit their tenders directly to Michael Seery or any member of the Water Licensing Team

Schedule 2 Tenderer Information

Tenderer's Name	
Registered Office	
ACN or ARBN	
Principal Contact Officer's Full Name	
Position/Title	
Address	
Telephone Number(s)	
Fax Number	
E-mail Address	
Names and Contact Details of Two Referees	

Schedule 3 Evaluation Requirements

1. In order for the Tribunal to adequately assess tenders, tenderers must provide detailed information on the following:
 - (a) the names, addresses and curriculum vitae, including details and evidence of experience and qualifications, of all personnel, including the tenderer's officers, employees, agents and contractors ("**Nominated Personnel**"), who the tenderer proposes to involve in providing the Services;
 - (b) evidence that the tenderer and its Nominated Personnel have the necessary skills and experience to provide the Services and that it will provide the Services with all due care and skill;
 - (c) sufficient details to enable the Tribunal to determine whether the tenderer is financially viable and will remain financially viable for the anticipated term of the Consultancy Agreement;
 - (d) any circumstances that may create a conflict of interest for the organisation or individuals who are to provide the Services;
 - (e) guarantee that the tenderer is legally entitled to:
 - (i) agree to a contract with the Tribunal; and
 - (ii) complete the Services.
 - (f) The names, addresses and contact details of referees whom the tenderer agrees may be approached by the Tribunal or its officers.
 - (g) Any past litigation the tenderer has been involved in.

2. Pricing Information

The tenderer must set out clearly the price for the performance of the Services and the basis, if any, for any change in the price. If no price is specified, the charges applicable and the basis for any proposed variations in the charges.

The tenderer must also set out the basis on which the price or charges would be varied for additional services that the tenderer may provide or which the tenderer believes arise from the requirements of complying with the terms of the Consulting Agreement.

3. Assessment Criteria

The Tribunal will evaluate the tenders based upon the Tribunal's assessment of:

- (h) the in-depth understanding and expertise of the tenderer in areas covered by the relevant Operating Licence;
- (i) the extent of the tenderer's knowledge and understanding of the regulatory environment of, and the business operations undertaken by, the utility proposed to be audited
- (j) the provision of Services of a similar nature, including any prior work undertaken for the Tribunal;
- (k) the total cost to the Tribunal of the performance of the Services by the tenderer;

- (l) the tenderer's resources and its ability to provide results within the stated timeframe; and
- (m) demonstrated ability to enlist the agencies' cooperation whilst engendering a sense of acceptance of the relevant outcomes.
- (n) any other matters the Tribunal considers appropriate.

These Evaluation Requirements are in addition to:

- (a) the information the tenderer must provide for the purposes of Schedule 2; and
 - (b) the conditions of the RFT with which the tenderer must comply.
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Schedule 4**Audit scope for Sydney Water Corporation's operational audit in 2006/07**

Sydney Water Corporation Operating Licence		2006/07 audit scope
3	WATER QUALITY	
3.1	Drinking Water Quality – Standards	Audit (clauses 3.1.1 and 3.1.3)
3.2	Drinking Water Quality – Monitoring	Desk-top (clauses 3.2.1 and 3.2.2)
3.3	Drinking Water Quality – Reporting	Audit (clauses 3.3.1 to 3.3.3)
3.4	Drinking Water – Planning	Audit (only clause 3.4.4)
3.5	Drinking Water - Incident Management	Desk-top (clauses 3.5.1 to 3.5.4)
3.6	Other Grades of Water	Audit (only clause 3.6.1)
4	INFRASTRUCTURE PERFORMANCE	
4.4	Compliance with Performance Standards	Audit
4.5	Reporting on system performance standards	Desk-top (clauses 4.5.1 to 4.5.4)
4.6	Review of system performance standards	Desk-top (only clause 4.6.4)
4.7	Service quality and system performance indicators	Desk-top (4.7.1, 4.7.3 & 4.7.4)
4.8	Asset Management Obligation	Not in operation audit scope as subject to a separate audit.
4.9	Reporting on Asset Management System	No Requirement
4.10	Auditing the Asset Management System	No Requirement
4.11	Water Leakage	Audit (only clause 4.11.2)
		Desk-top (clauses 4.11.1 & 4.11.3)
4.12	Reports Related to Water Leakage	Audit (only clause 4.12.1)
		Desk-top (clauses 4.12.2 to 4.12.4)

Sydney Water Corporation Operating Licence		2006/07 audit scope
4.13	Response time for water mains breaks	Audit (clauses 4.13.1, 4.13.3 & 4.13.4)
4.14	Priority Sewerage	Desk-top (clauses 4.14.1 to 4.14.3)
5	CUSTOMER AND CONSUMER RIGHTS	
5.1	Customer contract	Desk-top (clauses 5.1.4, 5.1.7, 5.1.9 & 5.1.10)
5.2	Consumers	Desk-top
5.3	Code of Practice and Procedure on Debt and Disconnection	Desk-top (clauses 5.3.1 to 5.3.4)
5.4	Customer Councils	Desk-top (clauses 5.4.1 to 5.4.4, 5.4.6 to 5.4.16)
5.5	Customer Service Indicators	Desk-top (clauses 5.5.1 to 5.5.3)
6	COMPLAINTS AND DISPUTE HANDLING	
6.1	Internal Dispute Resolution Process	Desk-top (clauses 6.1.1 to 6.1.4)
6.2	External Dispute Resolution Scheme	Desk-top (clauses 6.2.1, 6.2.3 to 6.2.7)
6.3	Complaints to other bodies	Desk-top (clauses 6.3.1 to 6.3.3)
7	Environment – Indicators and Management	
7.1	Environmental Indicators	Desk-top (clauses 7.1.1 to 7.1.4)
7.2	Environmental Management	Desk-top (clauses 7.2.1, 7.2.2, 7.2.4 to 7.2.7)
7.3	Potable Water Use	Desk-top (clauses 7.3.1 to 7.3.4)
7.4	Metering of Individual Units	Audit (only clause 7.4.1(b))
8	Pricing	

Sydney Water Corporation Operating Licence		2006/07 audit scope
8	Pricing	Desk-top
9	Water Conservation and Demand Management	
9.1	Water Conservation Target	Desk-top (clauses 9.1.1 & 9.1.3)
9.2	Demand Management Strategy	Audit (clauses 9.2.1 to 9.2.3)
9.3	Reducing Discharges	Desk-top (9.3.1 to 9.3.3)
9.4	Water Conservation Rating and Labelling	Desk-top (clauses 9.4.1 & 9.4.2)
9.5	Review of Part 9 of Licence	No requirement
10	Licence authorisation and Area of operations	
10.1	What the licence authorises and regulates	Desk-top
10.2	Powers not limited	Desk-top
10.3	Area of operations	Desk-top
10.4	Connection of Services	Desk-top
10.5	Non-exclusive Licence	Desk-top
11	Liability issues	
11.1	Contracting out	Desk-top
11.2	Damage and compensation to persons	Desk-top
11.3	Competitive neutrality	Desk-top
12	Operational Audits of this Licence	
12.2.1(b)	Sydney Water's implementation of any Memorandum of Understanding	Desk-top

Schedule 5**Audit scope for Sydney Catchment Authority's operational audit in 2006/07**

Sydney Catchment Authority Operating Licence		2006/07 audit scope
3	BULK RAW WATER QUALITY	
3.1	Specific Water Characteristics	Audit (clauses 3.1.1 to 3.1.4)
3.2	Health-Related Water Quality Characteristics	Audit (only clause 3.2.1)
		Desk-top (clauses 3.3.2 to 3.2.4)
3.3	Obligations under 2000 Operating Licence	No requirement
3.4	Water Supplied for Water Treatment	Audit
3.5	Catchment and System Management	Audit
3.6	Water quality monitoring and reporting	Audit (clauses 3.6.1, 3.6.2, 3.6.7, 3.6.8, 3.6.11)
		Desk-top (clauses 3.6.3, 3.6.4 & 3.6.6)
3.7	Water Quality Planning - Water Quality Management Framework	Audit (clauses 3.7.1 to 3.7.5)
		Desk-top (clauses 3.7.6 to 3.7.11)
3.8	Environmental water quality	Audit
4	CATCHMENT MANAGEMENT AND PROTECTION	
4.1	SCA to Manage and Protect Catchment Areas	Audit (clauses 4.1.1 to 4.1.3)
4.2	Plans of Management - Special Areas	Audit (clauses 4.2.1 to 4.2.2)
4.3	Regional Environmental Plan	Audit (clauses 4.3.1 to 4.3.3)
4.4	State Environmental Planning Policy	Audit
4.5	Provision of Information	Desk-top

5	THE ENVIRONMENT	
5.1	Environment Plan	Audit (only clause 5.1.1)
		Desk-top (clauses 5.1.2 to 5.1.5)
5.2	Catchment and Environmental Performance Indicators	Audit (clauses 5.2.1 to 5.2.3)
6	MANAGEMENT OF CATCHMENT INFRASTRUCTURE WORKS AND WATER CONSERVATION	
6.1	Management of Catchment Infrastructure	Audit (clauses 6.1.1 & 6.1.2)
6.2	Management of Catchment Infrastructure Works	Audit (clauses 6.2.1 to 6.2.6)
6.3	Review of the Model	Desk-top
6.4	Water Conservation	Audit (only clause 6.4.3)
		Desk-top (clauses 6.4.1 & 6.4.2)
7	ASSESSMENT MANAGEMENT	
7.1	Assessment Management Obligation	Desk-top
7.2	Reporting on the Management System of the Assets	No requirement
7.3	Auditing the Management System of the Assets	No requirement
8	CUSTOMERS	
8.1	Customer - Sydney Water Corporation	Desk-top
8.2	Customers - Other than Sydney Water Corporation	Desk-top (clauses 8.2.1 to 8.2.4)
8.3	Complaints	Desk-top (clauses 8.3.1 to 8.3.5)
8.4	Consultation	Desk-top (clauses 8.4.1 & 8.4.2)
9	PRICING	
9.1	Sydney Water Corporation	Desk-top
9.2	Wingecarribee Shire Council and Shoalhaven City Council	Desk-top
9.3	Complaints	Desk-top
11	ANNUAL AUDIT OF THE LICENCE	

11.2.1(b)	the SCA's compliance with its obligations under each Memorandum of Understanding referred to in clause 2.3;	Desk-top
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Schedule 6 Tribunal Scoring Methodology

The Tribunal rates compliance with Operating Licence requirements according the following schedule:

Compliance Grade	Description detail
Full Compliance	All requirements of the condition have been met.
High Compliance	Most requirements of the condition have been met with some minor technical failures or breaches.
Moderate Compliance	The major requirements of the condition have been met.
Low Compliance	Key requirements of the condition have not been met but minor achievements regarding compliance have been demonstrated.
Non Compliance	The requirements of the condition have not been met.
Insufficient Information	Relevant, suitable or adequate information to make an objective determination regarding compliance was not available to the auditor.
No Requirement	The requirement to comply with this condition does not occur within the audit period or there is no requirement for the utility to meet.

Appendix B SCA Operating Licence 2006-2010

This Appendix contains the Sydney Catchment Authority Operating Licence for 2006-2010. The Sydney Catchment Authority's performance against the requirements of this Operating Licence was assessed for this audit.



Operating Licence

for the Sydney Catchment Authority

under the

Sydney Water Catchment Management Act 1998

NEW SOUTH WALES



SYDNEY WATER CATCHMENT MANAGEMENT ACT 1998

RENEWAL OF OPERATING LICENCE UNDER SECTION 28(2) OF THE
SYDNEY WATER CATCHMENT MANAGEMENT ACT 1998

With the advice of the Executive Council, I, Professor Marie Bashir AC, Governor of the State of New South Wales, hereby renew the amended operating licence of the Sydney Catchment Authority under section 28(2) of the *Sydney Water Catchment Management Act 1998*.

A handwritten signature in cursive script, reading "Marie Bashir".

Governor of New South Wales

Signed at Sydney, this *eight* day of *February* 2006.

Sydney Catchment Authority Operating Licence

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Part 1 Information about the Licence

1.1 Purpose of Licence

1.1.1 The purpose of the Licence is to set out the terms and conditions under which the SCA is to:

- (a) meet the objectives and other requirements imposed on it in the Act;
- (b) provide, construct, operate, manage and maintain efficient and co-ordinated viable systems and services for supplying Bulk Raw Water;
- (c) comply with the quality and performance standards required in the Licence or required to be developed under the Licence;
- (d) report against indicators on the ecological health of the Catchment Area and of the impact of its activities (including polluting activities);
- (e) recognise the rights given to Customers and the community by the Licence; and
- (f) be subject to the Annual Audit of compliance with the Licence.

1.2 Duration of Licence

1.2.1 The 2000 Operating Licence is renewed and replaced by the Licence with effect from the Commencement Date on the terms set out in the Licence.

1.2.2 The Licence expires on 30 June 2010. The Governor may, however, renew the Licence under the Act.

[Note: Section 28 of the Act allows the Governor to renew the licence for a maximum of 5 years at a time.]

1.2.3 The Licence does not affect any rights or obligations that accrued under the 2000 Operating Licence prior to its renewal by the Licence.

1.3 Powers not limited

The Licence does not restrict the SCA's power to carry out any Functions conferred or imposed under any applicable law.

1.4 Area of operations

1.4.1 The Licence enables the SCA to exercise its Functions in or in respect of an area in or outside the Area of Operations.

1.4.2 The Area of Operations may be varied only as permitted under the Act.

[Note: The Area of Operations for the SCA is listed in Schedule 1 of the Licence. Section 20 of the Act states that subject to certain requirements the Governor may vary the Area of Operations by order published in the NSW Government Gazette.]

1.5 Mid Term Review

- 1.5.1 Subject to clause 1.5.2, on or about 1 January 2008, a Mid Term Review of the Licence or any part of the Licence may be undertaken if there is a change in regulation or public policy or any other event which, in the reasonable opinion of IPART, may have a significant impact on the operation of the Licence or any part of the Licence.
- 1.5.2 A review must be undertaken of the Licence or any part of the Licence if requested by the Minister.
- 1.5.3 The Mid Term Review is to be undertaken by the Licence Review Body.
- 1.5.4 The Licence Review Body may engage in Public Consultation as part of the Mid Term Review.
- 1.5.5 The Licence Review Body is to report to the Minister within six months of commencing the review on the following:
- (a) the findings of the review;
 - (b) any recommendations for amendment to the Licence; and
 - (c) any recommendations for amendment to any law that would enhance the operation of the Licence.
- 1.5.6 The Licence Review Body's report must be made available to the public by the SCA at the direction of the Minister.
- 1.5.7 The Minister may accept or reject any recommendation made by the Licence Review Body.
- 1.5.8 If any recommendation made by the Licence Review Body and accepted by the Minister requires an amendment to the Licence, the recommendation is of no force or effect unless the Licence is relevantly amended under section 27 of the Act.
- 1.5.9 Any recommendation made by the Licence Review Body that is not accepted by the Minister is of no force or effect.

1.6 End of Term Review

- 1.6.1 An End of Term Review for the purpose of determining the terms of any renewal of the Licence is to commence on or about 1 July 2009.
- 1.6.2 The End of Term Review is to be undertaken by the Licence Review Body.
- 1.6.3 The Licence Review Body is to engage in Public Consultation as part of the End of Term Review.
- 1.6.4 The Licence Review Body is to report to the Minister within 12 months of commencing the review on the following:
- (a) the findings of the review;
 - (b) any recommendations for amendment to the Licence, including any additional terms to be included in any renewal of the Licence; and

- (c) any recommendations for amendment to any law that would enhance the operation of the Licence.
- 1.6.5 The Licence Review Body's report must be made available to the public by the SCA at the direction of the Minister.
- 1.6.6 The Minister may accept or reject any recommendation made by the Licence Review Body.
- 1.6.7 If any recommendation made by the Licence Review Body and accepted by the Minister requires an amendment to the Licence, the recommendation is of no force or effect unless the Licence is relevantly amended under section 27 of the Act.
- 1.6.8 Any recommendation made by the Licence Review Body that is not accepted by the Minister is of no force or effect.

1.7 Licence amendment

The Licence may be amended by the Governor under the Act.

[Note: Section 27 of the Act provides that the Governor may amend the operating licence.]

1.8 Contravention of Licence

- 1.8.1 If the Minister is of the opinion that the SCA has contravened the Licence, the Minister may take action against the SCA under section 29 of the Act.

[Note: Section 29 of the Act provides that, where the Minister is of the opinion that the SCA contravenes the Licence, the Minister may serve a notice on the SCA requiring it to rectify the contravention; or, the Governor may direct that the SCA is to pay a monetary penalty in an amount determined by the Governor.]

- 1.8.2 If the SCA contravenes the Licence, IPART may take action against the SCA under section 29A of the Act.

[Note: Section 29A of the Act provides that, where the SCA knowingly contravenes the Licence, IPART may impose a monetary penalty on the SCA. Alternatively, IPART may require the SCA to take such action as IPART considers appropriate in the circumstances eg requiring the sending of information to customers or the publication of notices in newspapers.]

1.9 Cancellation of Licence

The Licence may be cancelled by the Governor in the circumstances described in section 30 of the Act.

[Note: Section 30 sets out the circumstances in which the Governor may cancel a licence. These are where the SCA ceases, otherwise than as authorised by the operating licence, to carry out its responsibilities under the licence in the area of operations of the SCA for any reason; or where the SCA, in the Minister's opinion, is in material default in compliance with the Licence and has not rectified such default or shown cause why the Licence should not be cancelled; or where the SCA is convicted on more than three occasions within a twelve month period of criminal offences punishable by at least a \$10,000 fine or twelve months' penal servitude or imprisonment if the SCA were a natural person.]

1.10 Availability of Licence

The SCA must make the Licence available to the public, free of charge.

1.11 Non-exclusive licence

The Licence does not prohibit a person (the **Supplier**) from supplying water (whether Bulk Raw Water or otherwise) to a person (including a person that is a Customer) in the Area of Operations, if the Supplier is lawfully entitled to do so.

1.12 Information provided to IPART under Licence

1.12.1 Any information provided to IPART under the Licence may be used by IPART for the purpose of any function lawfully conferred on IPART including the conduct of Annual Audits.

1.12.2 Any information which is required by the Licence to be provided by the SCA to IPART by 1 September or 30 November each year (as the case may be), must be made available to the public after such information is provided to IPART.

Part 2 The SCA's responsibilities

2.1 Responsibilities of the SCA under the Licence and other laws

The SCA must comply with the Licence and all applicable laws.

[Note: The SCA has obligations under a number of laws including:

- *Protection of the Environment Operations Act 1997;*
- *Public Health Act 1991;*
- *Water Management Act 2000;*
- *Water Act 1912;*
- *Environmental Planning and Assessment Act 1979;*
- *Independent Pricing and Regulatory Tribunal Act 1992;*
- *Dams Safety Act 1987; and*
- *Fisheries Management Act 1994*
- *Public Finance and Audit Act 1985.]*

2.2 Responsibility of the SCA under the Act

2.2.1 The SCA's principal objectives under section 14(1) of the Act are:

- (a) to ensure that the Catchment Area and the Catchment Infrastructure Works are managed and protected so as to promote water quality;
- (b) to protect public health and public safety and the environment;
- (c) to ensure that water supplied by it complies with appropriate standards of quality;
- (d) where its activities affect the environment, to conduct its operation in compliance with the principles of ecologically sustainable development contained in section 6(2) of the *Protection of the Environment Administration Act 1991*; and
- (e) to manage the SCA's Catchment Infrastructure Works efficiently and economically and in accordance with sound commercial principles.

2.2.2 The SCA's special objectives under section 14(2) of the Act are:

- (a) to minimise risks to human health; and
- (b) to prevent the degradation of the environment.

2.3 Memorandum of Understanding

2.3.1 Under section 36 of the Act, the SCA must maintain a Memorandum of Understanding with each of WAMC, Director-General of NSW Health, and EPA for the term of the Licence.

[Note: Section 36 of the Act requires the SCA to enter into separate memoranda of understanding with certain regulatory agencies, being, WAMC, Director-General of NSW Health and Environment Protection Authority (now part of the Department of Environment and Conservation). If the SCA and those regulatory agencies are not able to agree on a term of the memorandum of understanding, the memorandum is to be entered into in accordance with procedures determined by the Premier or is taken to be entered into in such terms as are determined by the Premier. A memorandum of understanding entered into by the SCA under section 36 is to be reviewed, and amended or replaced, at such times and in such circumstances as are agreed upon between the SCA and the agency concerned, or as are determined by the Minister. Section 38 deals with public exhibition of memoranda of understanding.]

2.3.2 The purpose of the relevant Memorandum of Understanding is to form the basis for cooperative relationships between the parties to the Memorandum of Understanding with a view to furthering the objectives of the Licence and the Act. In particular:

- (a) the Memorandum of Understanding with NSW Health is to recognise the role of NSW Health in providing advice to the Government of New South Wales in relation to water quality standards and public health;
- (b) the Memorandum of Understanding with WAMC is to recognise the role of WAMC in regulating water access, storage, use and the provision of environmental flows, and protecting river health in New South Wales; and
- (c) the Memorandum of Understanding with EPA is to recognise the role of EPA in protecting the environment of New South Wales.

Part 3 Bulk Raw Water quality

3.1 Specific Water Characteristics

3.1.1 Within 6 months from the Commencement Date, the SCA must compile, to the satisfaction of NSW Health and Sydney Water Corporation a list of specific water characteristics (**Specific Water Characteristics**) for the purpose of:

- (a) identifying the water characteristics which should be monitored and reported on in order to protect human health; and
- (b) seeking to prevent water quality from degrading over time.

3.1.2 The list of Specific Water Characteristics must be monitored and reported under clause 3.6. This list is to be derived from the Australian Drinking Water Guidelines 2004 and must be updated, as directed by NSW Health from time to time, by the SCA to the satisfaction of NSW Health and Sydney Water Corporation.

3.1.3 The SCA must provide IPART with a copy of the list of Specific Water Characteristics (as updated from time to time), as soon as possible after it is agreed to by NSW Health and Sydney Water Corporation. The SCA must make a copy of that list available to the public after it has been provided to IPART.

3.1.4 If the SCA, NSW Health and Sydney Water Corporation cannot agree on a list of Specific Water Characteristics, the views of NSW Health will prevail and the SCA must accept the list of Specific Water Characteristics determined by NSW Health.

[Note: The Specific Water Characteristics are derived from the water characteristics listed in Chapter 10 of the Australian Drinking Water Guidelines 2004 and include the water characteristics and contaminants referred to as "site specific standards" and "health related water quality standards" (as set out in Schedule 4) of the 2000 Operating Licence.]

3.2 Health Related Water Quality Characteristics

3.2.1 Within 6 months from the Commencement Date, the SCA must compile, to the satisfaction of NSW Health, a list of health related water quality characteristics (**Health Related Water Quality Characteristics**) for the purpose of:

- (a) identifying relevant contaminants and other water characteristics that may have an adverse impact on human health; and
- (b) protecting human health by ensuring that the health guideline values in the Australian Drinking Water Guidelines 2004 for those characteristics are not exceeded.

3.2.2 The list of Health Related Water Quality Characteristics must be monitored and reported under clause 3.6. This list is to be derived from the list of Specific Water Characteristics in clause 3.1.1 and must be updated, as directed by NSW Health from time to time, by the SCA to the satisfaction of NSW Health.

3.2.3 The SCA must provide IPART with a copy of the list of Health Related Water Quality Characteristics (as updated from time to time), as soon as possible after it is agreed with NSW Health. The SCA must make a copy of that list available to the public after it has been provided to IPART.

3.2.4 If the SCA and NSW Health cannot agree on a list of Health Related Water Quality Characteristics, the views of NSW Health will prevail and the SCA must accept the list of Health Related Water Quality Characteristics determined by NSW Health.

3.3 Obligations under 2000 Operating Licence

Until the SCA has compiled a list of the Specific Water Characteristics under clause 3.1.1 and a list of the Health Related Water Quality Characteristics under clause 3.2.1, the SCA must continue to comply with its obligations under clauses 6.2(a) and (b), 6.4 and 6.6 of the 2000 Operating Licence.

3.4 Water supplied for Water Treatment

In relation to the supply of Bulk Raw Water by the SCA to Customers for Water Treatment, the SCA must comply with the following provisions:

- (a) the concentration or level of the Health Related Water Quality Characteristics must not exceed the health guideline values in the Australian Drinking Water Guidelines 2004 for those characteristics; and
- (b) where necessary, the SCA must liaise, cooperate and where possible agree on cost-effective strategies (and the timing of their implementation) with Customers to ensure treated water consumed by humans is not harmful to human health.

3.5 Catchment and system management

The SCA must comply with the Australian Drinking Water Guidelines 2004 relating to the management of the Catchment Area and the Catchment Infrastructure Works.

[Note: The Australian Drinking Water Guidelines 2004 include catchment and system management practices to minimise the risk of contamination to Bulk Raw Water supplies, for example, the catchment management practices required to minimise the risk of contamination by Cryptosporidium and Giardia.]

3.6 Water quality monitoring and reporting

Water quality monitoring

3.6.1 The SCA must maintain a water quality monitoring program (**Monitoring Program**) that comprises:

- (a) routine monitoring of the quality of Bulk Raw Water supplied to Customers for Water Treatment:
 - (i) for the Specific Water Characteristics; and
 - (ii) for the concentration or level of the Health Related Water Quality Characteristics against the health guideline values in the Australian Drinking Water Guidelines 2004 for those characteristics; and

- (b) targeted, investigative and event based monitoring of the water in the Catchment Area and the SCA's Water Storages, to monitor occurrence of particular characteristics and contaminants in water.

3.6.2 The Monitoring Program must include at least the following in relation to the routine monitoring required under clause 3.6.1(a):

- (a) monitoring for the Specific Water Characteristics;
- (b) monitoring for the concentration or level of the Health Related Water Quality Characteristics against the health guideline values in the Australian Drinking Water Guidelines 2004 for those characteristics;
- (c) monitoring for any other characteristics of water nominated by NSW Health;
- (d) an effective system of quality assurance in the monitoring, sampling, testing and reporting processes it employs, which must be to the satisfaction of NSW Health; and
- (e) sampling frequencies and locations that produce results which are representative of the quality of Bulk Raw Water supplied to Customers for Water Treatment and are based on outcomes of a risk assessment process.

3.6.3 The SCA must provide:

- (a) the results of the routine monitoring required under clauses 3.6.2(a), 3.6.2(b) and 3.6.2(c) to the Customers that it supplies Bulk Raw Water for Water Treatment, as soon as practicable; and
- (b) the results of the routine monitoring required under clauses 3.6.2(b) and 3.6.2(c) to NSW Health, as soon as practicable.

3.6.4 The Monitoring Program must include at least the following in relation to the targeted, investigative and event based monitoring required under clause 3.6.1(b):

- (a) an effective system of quality assurance in the monitoring, sampling, testing and reporting processes, which must be to the satisfaction of NSW Health and DNR; and
- (b) sampling frequencies and locations that produce information to better define the occurrence and factors contributing to the presence of the characteristics in the water, which must be to the satisfaction of NSW Health and DNR.

3.6.5 Within 18 months from the Commencement Date, the SCA must develop, to the satisfaction of IPART, a strategy and timeframe to further improve its Monitoring Program. Improvements to the Monitoring Program may include such elements as capability to capture real-time information on water quality and water quantity variables specified by NSW Health and DNR. The SCA must comply with that strategy and timeframe.

3.6.6 The SCA must maintain a database or databases of monitoring results for the routine, targeted, investigative and event based monitoring.

Reporting

3.6.7 The nature, features and results of the Monitoring Program must be provided to IPART by 30 November each year for the previous financial year.

- 3.6.8 The information provided must, in addition to the information required under clause 3.6.3, also contain the following:
- (a) a summary of the monitoring information of the SCA;
 - (b) a summary of water quality information;
 - (c) information on the extent of compliance and non compliance by the SCA for the period reported;
 - (d) information on the integrity of the data reported;
 - (e) a summary of water quality incidents identified during the period reported and actions taken to resolve, eliminate or mitigate the effect of those incidents; and
 - (f) steps taken by the SCA to protect public health as a result of an incident.
- 3.6.9 IPART must consider the information provided under clause 3.6.8 as part of the Annual Audit.
- 3.6.10 The SCA must provide IPART with a report (to the satisfaction of IPART), by 30 November 2007 and 30 November 2009, which analyses trends in water quality:
- (a) at the inflows to the water filtration plants,
 - (b) within the SCA's Water Storages; and
 - (c) at other locations as specified by NSW Health and DNR (including inflows into the SCA's Water Storages).
- 3.6.11 The information provided to IPART under clause 3.6.10 must be made available to the public, free of charge.

3.7 Water quality planning

Water Quality Management Framework

- 3.7.1 Within 12 months from the Commencement Date, the SCA must implement, to the satisfaction of IPART and NSW Health, a water quality management framework for water quality management in the Catchment Area and SCA's Water Storages (**Water Quality Management Framework**).
- 3.7.2 The purpose of the Water Quality Management Framework is to:
- (a) identify, assess and quantify hazards and risks to Bulk Raw Water quality;
 - (b) identify, evaluate, implement and monitor controls to be used in dealing with these hazards and risks; and
 - (c) enable prioritisation of actions, research and water quality monitoring.
- 3.7.3 In order to achieve the purpose set out in clause 3.7.2, the Water Quality Management Framework must:
- (a) incorporate all elements of the 'Drinking Water Quality Management Framework', presented in the Australian Drinking Water Guidelines 2004;

- (b) identify and assess pollution sources in the Catchment Area including how pollutants are modified between the source and the SCA's Water Storages;
- (c) evaluate the potential impact of pollution identified in clause 3.7.3(b) on the quality of Bulk Raw Water supplied to Customers (as this information becomes available through the SCA's long term research);
- (d) identify opportunities where modification of the operation of Catchment Infrastructure Works should result in improved water quality outcomes;
- (e) review, prioritise and specify the actions in strategic planning, catchment management, storage management and delivery management with clear timeframes to protect or improve the quality of Bulk Raw Water supplied to Customers, taking into account, at least, the work undertaken in clauses 3.7.3(c) and 3.7.3(d);
- (f) implement the prioritised actions in clause 3.7.3(e) and evaluate results of monitoring at the inflows to the water filtration plants, in the SCA's Water Storages, inflows into the SCA's Water Storages and other key points to validate the impacts of the implemented actions on Bulk Raw Water quality;
- (g) as part of the Annual Audit process, provide information on those prioritised actions in clause 3.7.3(f) undertaken in strategic planning, catchment management, storage management and delivery management and the outcomes of those actions on water quality at the key monitoring points; and
- (h) re-prioritise the actions in clause 3.7.3(e) based on the information provided under clause 3.7.3(g).

3.7.4 In developing the Water Quality Management Framework, the SCA must:

- (a) apply Australian Standard Risk Management: AS/NZS4360:2004 to the quality of Bulk Raw Water supplied by the SCA to its Customers;
- (b) apply Australian Standard Risk Management: AS/NZS4360:2004 to develop risk action plans; and
- (c) consider the benefits and costs of different management options.

3.7.5 The SCA must engage in Public Consultation in developing the Water Quality Management Framework, and must specifically seek comments from IPART, NSW Health, DEC and DNR.

3.7.6 After the Water Quality Management Framework has been developed, the purpose, scope and reporting of the Water Quality Management Framework may only be amended following consultation with IPART, NSW Health, DEC and DNR.

Incident Management Plan

3.7.7 The SCA must maintain, to the satisfaction of NSW Health, an incident management plan (**Incident Management Plan**), for the purpose of minimising the risk to human health from the Bulk Raw Water supplied by the SCA to Customers.

3.7.8 The Incident Management Plan must remain in place until any new plan is developed in agreement with NSW Health and must form part of the Water Quality Management Framework.

- 3.7.9 During the term of the Licence, the SCA must consult with Customers to whom it supplies Bulk Raw Water for Water Treatment and NSW Health in relation to the adequacy of the Incident Management Plan and update that plan as required.
- 3.7.10 The Incident Management Plan must contain, or incorporate by reference, procedures and protocols for the coordinated management of water incidents including media and stakeholder liaison and any notification of public health advice received from NSW Health to Customers.
- 3.7.11 The Incident Management Plan must include a requirement for the SCA to advise NSW Health and the Customers to whom it supplies Bulk Raw Water for Water Treatment, if the Bulk Raw Water it supplies may be a risk to human health.

3.8 Environmental water quality

The SCA must meet the environmental water quality requirements for any discharges or water releases required under licences issued to the SCA by DEC or DNR.

Part 4 Catchment management and protection

4.1 SCA to manage and protect Catchment Areas

4.1.1 The SCA must manage and protect the Catchment Area consistent with its objectives and Functions under the Act.

4.1.2 By 30 November each year, the SCA must provide information to IPART on its catchment management and protection activities for the previous financial year, to enable IPART to consider the matter as part of the Annual Audit.

4.1.3 The information provided must:

- (a) for each catchment management and protection activity or program, be in a format and content to be agreed between the SCA and IPART, and include the following:
 - (i) the planned and actual catchment management and protection activities;
 - (ii) the planned and actual expenditure for each of the activities in clause 4.1.3(a)(i); and
 - (iii) the planned and actual outcomes for each of the activities in clause 4.1.3(a)(i);
- (b) identify program activities which responded to the recommendations or findings of the Annual Audit, Catchment Audit, or the SCA's research or monitoring programs;
- (c) explain any annual changes in catchment management and protection activities or programs and expenditure; and
- (d) include the SCA's compliance with any Plan of Management.

4.2 Plans of Management – Special Areas

4.2.1 The SCA must give effect to any Plan of Management. In doing so, the SCA must consult, and where possible, collaborate with the National Parks and Wildlife Service of the DEC.

4.2.2 The SCA must review any Plan of Management with the National Parks and Wildlife Service of the DEC at least once every five years.

4.3 Regional Environmental Plan

4.3.1 The SCA must comply with any obligations imposed on it under the Regional Environmental Plan, applicable to its Functions under the Act and the Licence.

4.3.2 The SCA must promote implementation and awareness of the Regional Environmental Plan including education of public authorities and other relevant parties in the Catchment Area.

4.3.3 The SCA must provide information to IPART, by 1 September each year for the previous financial year, on its compliance with the Regional Environmental Plan.

4.4 State Environmental Planning Policy

The SCA must comply with any of its obligations imposed on it under the State Environmental Planning Policy 58, applicable to its Functions under the Act.

4.5 Provision of Information

The SCA must use its best endeavours to publish on its website and keep up-to-date the following:

- (a) a list of information on water quality relevant to the Catchment Area collected by the SCA or other relevant persons or bodies and provide links to that information or advice on how that information can be accessed by the public;
- (b) a list of the SCA's unpublished river health data and provide advice on how that information can be accessed by the public;
- (c) each week, information on water transfers from the Shoalhaven Scheme, including:
 - (i) actual and projected weekly volumes of water transferred from the Shoalhaven Scheme to Warragamba Dam or Nepean Dam; and
 - (ii) cumulative week to week totals of water transferred over the course of the applicable financial year.

Part 5 The environment

5.1 Environment Plan

5.1.1 The SCA must prepare a draft five-year environment plan (**Environment Plan**) by 30 April 2006, and a final Environment Plan by 1 September 2006. The final Environment Plan must be made available to the public.

5.1.2 The SCA must engage in Public Consultation in developing the Environment Plan.

5.1.3 The Environment Plan must:

- (a) contain details of the SCA's environmental management and programs to manage and minimise the environmental impacts from its activities, such as energy and water consumption, greenhouse emissions, waste and cultural heritage;
- (b) comply with principles of ecologically sustainable development;
- (c) be recognised in the SCA's business plans; and
- (d) incorporate environmental improvement targets and timetables for the SCA to achieve over the term of the Environment Plan.

[Note: One of the principal objectives of the SCA in the Act is to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6(2) of the Protection of the Environment Administration Act 1991.]

5.1.4 The SCA must review, and if necessary update, the Environment Plan at least once during the term of the Licence. In conducting that review, the SCA must consult with DNR, DEC, Department of Primary Industries, IPART and peak environmental non-government organisations for the purpose of considering their views and seeking their comments on whether any amendments to the Environment Plan are required.

5.1.5 By 1 September each year, the SCA must provide information to IPART on its progress for the previous financial year in meeting the Environment Plan. The information must include the SCA's compliance with the targets and timetables in clause 5.1.3.

5.2 Catchment and Environmental Performance Indicators

5.2.1 The SCA must monitor, record, compile data and provide information on the Catchment and Environmental Performance Indicators for the immediately preceding financial year or otherwise in accordance with the reporting frequency indicated in Schedule 2.

[Note: Section 26(1)(c) of the Act, provides that the SCA is to compile indicators on the ecological health of the Catchment Area (with particular reference to vegetation cover, riparian zones and water quality) and of the impact of the SCA's activities (including polluting activities) on the Catchment Area (1) to enable preparation of an annual report of its performance, and (2) to provide information for a year to year comparison in relation to its performance in this area.]

5.2.2 By 30 November each year, the SCA must provide information on its performance, for the previous financial year or otherwise in accordance with the reporting frequency indicated in Schedule 2, against the Catchment and Environmental Performance Indicators.

5.2.3 The information referred to in clause 5.2.2:

- (a) must be provided, where such data is available, in relation to each sub-catchment in the Catchment Area;
- (b) must be provided in a manner which enables a financial year to financial year comparison in relation to the SCA's performance against the Catchment and Environmental Performance Indicators and, in particular, where such data is available, a comparison with historical annual values over at least the previous 12 financial years; and
- (c) must be accompanied by an analysis of trends in the data (including possible causes or actions proposed in response to any improvement or deterioration in performance).

Part 6 Management Of Catchment Infrastructure Works and Water Conservation

6.1 Management of Catchment Infrastructure Works

- 6.1.1 The SCA must manage and operate the Catchment Infrastructure Works to minimise risk to human health from the Bulk Raw Water it supplies.
- 6.1.2 The SCA must ensure that the Catchment Infrastructure Works is operated and managed consistent with the Design Criteria.

[Note: The Design Criteria as at the Commencement Date was the Catchment Infrastructure Works Performance Criteria set out in Schedule 2 of the 2000 Operating Licence.]

6.2 Water Supply System Yield

- 6.2.1 Within 12 months of the Commencement Date, the SCA must provide IPART with a report on:
- (a) the current estimate of the Water Supply System Yield;
 - (b) the assumptions and inputs, including the Design Criteria used in the model to calculate that Water Supply System Yield; and
 - (c) the reasons underlying any material changes to the Design Criteria, the Water Supply System Yield or other assumptions and inputs.
- 6.2.2 The SCA must provide the Minister with a copy of the report required under clause 6.2.1, prior to reporting to IPART.
- 6.2.3 As soon as practicable after reporting to IPART as required under clause 6.2.1, the SCA must make the report publicly available.
- 6.2.4 The SCA must re-calculate the Water Supply System Yield on the occurrence of any one or more of the following events:
- (a) the conclusion of any drought event;
 - (b) the commencement of any major modification or augmentation to the Catchment Infrastructure Works or the Water Supply System Infrastructure which will have a significant impact on the SCA's supply of water; and
 - (c) any material change to the operating rules of the Catchment Infrastructure Works (including Design Criteria).
- 6.2.5 The SCA must advise the Minister of any changes to the Water Supply System Yield from the previous Water Supply System Yield following a re-calculation under clause 6.2.4.
- 6.2.6 The SCA must make any changes to the Water Supply System Yield available to the public, including reasons for the changes to the Water Supply System Yield, as soon as practicable after advising the Minister of those changes in clause 6.2.5.

[Note: The Water Supply System Yield is a tool to assist in water supply planning. The estimated yield varies over time depending on a range of assumptions and inputs. The estimate of the yield used in developing the Metropolitan Water Plan was 600GL per year. The assumptions and inputs used to calculate the estimated Water Supply System Yield include:

- *design criteria that have the primary objective of ensuring that the water supply system is designed so that it should not run out of water, includes estimates for a restricted supply that are neither too frequent or for excessively long periods and are based on demand projections provided by Sydney Water Corporation;*
- *the capacity of the individual water storages;*
- *hydraulic constraints including pipe and channel capacities;*
- *the SCA's mode of operation including reservoir operating rules, transfers between storages and triggers for pumping;*
- *water distribution across the supply network including environmental and other releases, and urban water supply requirements; and*
- *hydrological behaviour of the catchments including rainfall and historical storage inflows.]*

6.3 Review of the model

6.3.1 At least once during the term of the Licence, the SCA must obtain an independent expert to review its model and procedure for calculation of the Water Supply System Yield and to test:

- (a) the robustness of the model;
- (b) the key assumptions used in the model; and
- (c) the process for calculating the yield, including the appropriate frequency of yield calculation and the appropriateness of the trigger events in clause 6.2.4.

6.3.2 The independent expert must advise the SCA on whether the Water Supply System Yield should be re-calculated, based on the findings of the test in clause 6.3.1.

6.3.3 During the independent expert's review under clause 6.3.1, the SCA must consult with DNR, DEC, Sydney Water Corporation and any other persons reasonably expected to have an interest in the review of the model.

6.3.4 The SCA must make the findings of the independent expert's review and its response to those findings available to the public.

6.4 Water conservation

6.4.1 The SCA must undertake practicable actions to conserve water and minimise water losses, which may include working collaboratively with its Customers.

6.4.2 The SCA must provide information to IPART, by 1 September each year for the previous financial year, on:

- (a) any demand management and supply augmentation activities undertaken by the SCA, including any obligations under any licence or approval under the *Water Act 1912* or the *Water Management Act 2000* and the Metropolitan Water Plan;
- (b) the water balance as per the methodology set out in the report by Sinclair Knight Merz entitled, "Sydney Catchment Authority Operating Licence – Water Balance Template (October 2005)" for the Catchment Infrastructure Works and for each of the following water supply systems:
 - (i) Warragamba;
 - (ii) Woronora;
 - (iii) Blue Mountains;
 - (iv) Shoalhaven; and
 - (v) Upper Nepean; and
- (c) actions undertaken to manage leakage and losses from its Catchment Infrastructure Works, including actions and compliance with timeframes under the report prepared under clause 6.4.3, and actual expenditure on managing water leakage and loss activities and estimated water savings as a result of those activities.

6.4.3 Within 12 months from the Commencement Date, the SCA must produce a report which recommends appropriate actions and timeframes for the SCA to manage leakage and losses, and make that report available to the public. That report must take into account and state how it has taken into account the following:

- (a) the economic level of leakage;
- (b) technical feasibility;
- (c) environmental, economic and social factors;
- (d) previous studies on leakage and losses; and
- (e) the estimated measurable impacts on water loss from mining activities on the Catchment Area.

Part 7 Asset management

7.1 Asset management obligation

The SCA must ensure that its Assets are managed consistent with:

- (a) its obligations in the Licence, and all applicable laws, policies and guidelines with which the SCA must comply, including the requirements of the NSW Dams Safety Committee;
- (b) the principles of the Strategic Management Framework and the Total Asset Management Policy;
- (c) subject to clause 7.1(a), the lowest life cycle cost and acceptable risk of the Assets;
- (d) the whole life of the Assets; and
- (e) its assessment of the risk of loss of the Assets, and capacity to respond to a potential failure or reduced performance of the Assets.

7.2 Reporting on the management system of the Assets

7.2.1 At least once during the term of the Licence at a time agreed with IPART, the SCA must provide information to IPART on the state of each group of Assets managed by the SCA.

7.2.2 The information provided must include the following:

- (a) a description of the processes, practices, systems and plans the SCA uses in managing the Assets;
- (b) a description of each group of Assets;
- (c) an assessment of the expected capability of the Assets to deliver the services required to be delivered by the SCA and meet the existing obligations of the SCA consistent with the Licence and all applicable laws with which the SCA must comply;
- (d) an assessment of the major issues or constraints on current and future performance of the Assets;
- (e) the strategies and expected costs of future investments in the Assets;
- (f) progress in implementing the management of the SCA's Assets and any recommended improvements in processes, practices, systems and plans for the management of the Assets; and
- (g) such other information reasonably required by IPART.

7.3 Auditing the management system of the Assets

- 7.3.1 At least once during the Licence, IPART may (at a time it determines) conduct an audit of SCA's compliance with clauses 7.1 and 7.2. The audit may form part of an Annual Audit or be conducted separately from an Annual Audit, at the discretion of IPART.
- 7.3.2 In addition, IPART may at any time audit the SCA's compliance with clauses 7.1 and 7.2 for the purpose of:
- (a) investigating and reporting on, or reviewing the pricing of SCA's bulk water services under the *Independent Pricing and Regulatory Tribunal Act 1992*; or
 - (b) investigating compliance by SCA with specific areas of its Asset management.
- 7.3.3 An audit undertaken under clause 7.3.1 or 7.3.2, must comply with the scope and audit specifications determined by IPART.
- 7.3.4 The provisions of Part 11 apply to an audit under clause 7.3 as if the audit under clause 7.3 is an Annual Audit.
- 7.3.5 IPART must advise the Minister of its decision to conduct an audit under clause 7.3.1 or 7.3.2 and, subsequent to the audit, provide the Minister with a report on the outcomes of the audit.

Part 8 Customers

8.1 Customer – Sydney Water Corporation

The SCA acknowledges that it has entered into a Bulk Water Supply Agreement with Sydney Water Corporation in compliance with its obligations under section 22 of the Act.

[Note: Division 4 of Part 3 (sections 22 to 24) of the Act specify the arrangements which are to be made with Sydney Water Corporation.]

8.2 Customers – other than Sydney Water Corporation

8.2.1 Subject to clause 8.2.3, the SCA must establish terms and conditions of supply which are to apply to all its Customers (other than Sydney Water Corporation) for the supply of Bulk Raw Water to those Customers. The terms and conditions of supply must include at least, the terms and conditions in clause 8.2.2.

8.2.2 The terms and conditions of supply must at a minimum include:

- (a) the standard of the quality of the water supplied;
- (b) the continuity of water supplied;
- (c) the costs to be paid by those Customers for the supply of water to them; and
- (d) dispute resolution and complaint handling procedures (not inconsistent with the procedures in clause 8.3).

8.2.3 If a Customer does not agree to the terms and conditions of supply referred to in clause 8.2.1, that Customer may request (but the SCA does not have to comply with that request) that the SCA enter into other agreements for the supply of Bulk Raw Water on such terms and conditions as may be negotiated between the SCA and that Customer, subject to those agreements complying with clause 8.2.2.

8.2.4 The SCA must advise the Customers in clause 8.2.1 and clause 8.2.3 of the potential uses for the Bulk Raw Water it supplies and of the need for Water Treatment if the water is to be used for human consumption.

8.3 Complaints

8.3.1 The SCA must establish internal complaints handling procedures for receiving, responding to and resolving Complaints it receives, which relate to any of its Functions, from Customers and the community.

8.3.2 The internal complaints handling procedures of the SCA must be based on the Australian Standard AS4269-1995 *Complaint Handling*.

8.3.3 The SCA must make available to Customers and the community information concerning its internal complaints handling procedures which explains how to make a Complaint and how the complaints handling procedure works.

- 8.3.4 The SCA must provide information of the nature described in clause 8.3.3 to Customers at least once every two years. The SCA must also make this information available to the public free of charge.
- 8.3.5 The SCA must provide information, by 1 September each year for the preceding financial year, to IPART on the following details concerning complaints made against the SCA:
- (a) the number and types of complaints received;
 - (b) the number and type of complaints resolved or not resolved in sufficient detail and using sufficient classifications to enable IPART to gain a reasonable understanding of how and how well those complaints were resolved or why those complaints were not resolved, as the case may be; and
 - (c) where the SCA has received 20 or more complaints on a similar or related problem or issue, details of that problem or issue.

8.4 Consultation

- 8.4.1 The SCA must regularly engage in Consultation with Customers and the community on issues relevant to the performance of the SCA's obligations under this Licence.
- 8.4.2 The SCA must, by 1 September each year for the preceding financial year, provide information on its Consultation activities under clause 8.4.1. The information provided by the SCA must include a description of:
- (a) the issues upon which the SCA consulted with the Customers and/or the community;
 - (b) the mode of Consultation used;
 - (c) any response made by the SCA as a result of feedback received as part of the Consultation; and
 - (d) the number of Customers or community members consulted and a description of the organisations and interests represented (if applicable).
- 8.4.3 As part of the End of Term Review, the Licence Review Body must evaluate the effectiveness of the SCA's Consultation under clause 8.4.1.

Part 9 Pricing

9.1 Sydney Water Corporation

The SCA must set the level of fees, charges, and other amounts payable by Sydney Water Corporation for the SCA's provision of water subject to:

- (a) the Act and any other applicable law;
- (b) the Licence;
- (c) any pricing arrangements in the Bulk Water Supply Agreement; and
- (d) any maximum prices and methodologies for the SCA's supply of water determined from time to time by IPART.

9.2 Wingecarribee Shire Council and Shoalhaven City Council

The SCA must set the level of fees, charges, and other amounts payable by Wingecarribee Shire Council and Shoalhaven City Council for the SCA's provision of water subject to:

- (a) the Act and any other applicable law;
- (b) the Licence; and
- (c) any maximum prices and methodologies for the SCA's supply of water determined from time to time by IPART.

9.3 Other customers

The SCA must set the level of fees, charges, and other amounts payable by its Customers (other than Sydney Water Corporation, Wingecarribee Shire Council and Shoalhaven City Council) for the SCA's provision of water subject to:

- (a) the Act and any other applicable law;
- (b) the Licence; and
- (c) any maximum prices and methodologies for the SCA's supply of water determined from time to time by IPART.

Part 10 Liability issues

10.1 Contracting out

10.1.1 Subject to the Act, any other applicable law and the Licence, SCA may contract out its Functions.

10.1.2 Contracting out under clause 10.1.1 does not relieve the SCA of its responsibility to perform the Functions that it has contracted out.

10.2 Damage and compensation to persons

The SCA is required by section 58 of the Act to do as little damage as practicable in exercising its Functions under Part 6 of the Act, and in circumstances specified in that section, to compensate persons who suffer damage by the exercise of those Functions.

Part 11 Annual Audit of the Licence

11.1 Commission of audits

11.1.1 IPART must initiate an operational audit of the SCA as soon as practicable after 30 June each year covering the preceding financial year, as required by this Part 11 (the **Annual Audit**).

11.1.2 The Annual Audit must be conducted by IPART or by a person that IPART considers is suitably qualified to perform the Annual Audit.

11.1.3 As part of the Annual Audit, IPART must invite members of the public to make submissions to it. IPART may also undertake any other Public Consultation it considers appropriate.

11.1.4 IPART may include in its Annual Audit all or any of the matters referred to in clause 11.2 and where in any Annual Audit a matter is not made the subject of that Annual Audit, IPART may require the SCA to provide IPART with a report on the matter not included in the Annual Audit.

11.2 What the audit is to report on

11.2.1 IPART or the person undertaking the Annual Audit may investigate and prepare a report on any or all of the following:

- (a) compliance by the SCA with its obligations in each of Parts 3, 4, 5, 6, 7, 8 and 9;
- (b) the SCA's compliance with its obligations under each Memorandum of Understanding referred to in clause 2.3; and
- (b) any other matter required by the Licence, the Act or administrative direction to be assessed and considered as part of the Annual Audit.

11.2.2 Despite clause 11.2.1, neither IPART nor the person undertaking the Annual Audit may investigate a matter under clause 11.2.1 if the investigation of that matter is ordinarily within the regulatory activities of DEC, NSW Health or DNR and the relevant agency has undertaken an investigation of the matter.

11.2.3 Nothing in this Part 11 restricts the capacity of IPART, as part of the Annual Audit from:

- (a) satisfying the requirement in clause 11.2.1 to investigate and prepare a report on a matter under clause 11.2.1 by including in its report consideration of the findings and the SCA's response to those findings, of any investigation of the matter by DEC, NSW Health or DNR; and
- (b) requesting the SCA to provide information relating to an investigation of a matter by DEC, NSW Health or DNR which is ordinarily within the regulatory activities of those agencies.

11.2.4 IPART must ensure that, subject to clause 11.2.2, the report of the Annual Audit addresses the matters in clause 11.2.1 and advises the Minister on the following matters:

- (a) areas in which the SCA's performance under the Licence may be improved;
- (b) any changes to the Licence that IPART considers necessary;

- (c) any penalties or remedial action required as a result of the SCA's performance under the Licence;
- (d) whether the Minister should recommend that the SCA's Licence be cancelled by the Governor under section 30 of the Act for reasons identified in the report of the Annual Audit; and
- (e) any other matter relating to the Annual Audit or the SCA's Functions that it considers appropriate.

11.3 Reporting of audit

11.3.1 IPART must ensure that the report of the Annual Audit is presented to the Minister within 1 month after its receipt by IPART.

11.3.2 If the report of the Annual Audit has identified areas of non-compliance with the Licence, in addition to whatever other action is taken or required to be taken, the SCA must comply with any requirement that may be imposed on the SCA by the Minister to do the following:

- (a) advertise publicly and notify Customers of the areas of the non-compliance;
- (b) provide reasons for the non-compliance;
- (c) identify the measures that will be taken by the SCA to address the non-compliance; and
- (d) provide such other advice concerning the non-compliance as is requested by the Minister.

11.4 Additional audits

11.4.1 IPART must initiate additional audits of the SCA if required by the Minister.

11.4.2 An additional audit may address one or more of the matters in clause 11.2.1 or any other matter required by the Minister.

11.4.3 The provisions of this Part 11 applying to the Annual Audit will apply equally to additional audits under clause 11.4.1 (all necessary changes having been made), to the extent that those provisions are relevant.

11.5 Provision of information

11.5.1 The SCA must provide IPART (or a person appointed by IPART under clause 11.1.2) with all information within its possession or under its control necessary to the conduct of the Annual Audit or an additional audit, including whatever information is requested in writing by IPART or the person appointed by IPART.

11.5.2 The information sought under clause 11.5.1 must be made available within a reasonable time of it being requested.

11.5.3 For the purposes of the Annual Audit or an additional audit under clause 11.4.1, the SCA must, within a reasonable time of being required by IPART (or the person appointed by IPART), permit IPART (or the person appointed):

- (a) to have access to any works, premises or offices occupied by the SCA;
- (b) to carry out inspections, measurements and tests on, or in relation to, any such works, premises or offices;
- (c) to take on to or into any such premises, works or offices any other persons or equipment as necessary for the purposes of performing the audit;
- (d) to inspect and make copies of, and take extracts from, any books and records of the SCA that are maintained in relation to the performance of the SCA's obligations under the Licence; and
- (e) to discuss matters relevant to the audit with the SCA's employees.

11.5.4 If the SCA contracts out any of its activities to third parties (including a subsidiary) it must take all reasonable steps to ensure that, if required by IPART, any such third parties provide information and do the things specified in Part 11 that extend to the SCA as if that third party were the SCA.

11.5.5 For the purpose of an Annual Audit or an additional audit under clause 11.4.1, the information to be provided by the SCA or a third party under clause 11.5.1 may include information over which the SCA or a third party claims confidentiality or privilege. IPART (or the person appointed by IPART) must (if required) enter into reasonable arrangements with the SCA or such third party to ensure that the confidential information or privileged information is kept confidential or privileged.

[Note: This clause is limited by section 24FF and section 25A of the Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act). For example:

- *if IPART is advised by the SCA that the information provided by it is confidential, section 24FF of the IPART Act sets out the manner in which IPART is to deal with that information; or*
- *under section 25A of the IPART Act, IPART cannot require the SCA to produce a cabinet document.]*

Part 12 Notices

Any notice or other communication given under the Licence is to be made in writing addressed to the intended recipient at the address shown below, or the last address notified by the recipient.

SCA

The Chief Executive
Sydney Catchment Authority
Level 2, 311 High Street
Penrith NSW 2750

IPART

The Chief Executive Officer
Independent Pricing and Regulatory Tribunal
Level 2, 44 Market Street
Sydney NSW 2000

Part 13 Definitions and interpretation

13.1 Definitions

In the Licence:

2000 Operating Licence means the operating licence granted to the SCA on 2 July 1999 under section 25 of the Act and renewed on 22 December 1999, and subsequently amended on 19 April 2000.

Act means the *Sydney Water Catchment Management Act 1998*.

Annual Audit means the annual operational audit of the SCA defined in clause 11.1.1.

Area of Operations means the area of operations of the SCA specified in Schedule 1, which is set out under section 20 of the Act.

Assets mean the structures, plant, equipment, corporate and business systems of the SCA which cause, allow, or assist in the performance of its Functions and objectives under the Act and the Licence.

Australian Drinking Water Guidelines 2004 means the NHMRC and NRMMC Australian Drinking Water Guidelines 2004 and any amendment, update and supplement of these guidelines from time to time.

Bulk Raw Water means either water which has not been managed in any way or water that has been managed for quality, whether by chemical treatment or otherwise, but not treated at a water filtration plant.

Bulk Water Supply Agreement means the Bulk Water Supply Agreement between the SCA and Sydney Water Corporation signed on 15 September 1999 and any amendment or replacement of that Agreement.

Catchment Area has the meaning given to that term in the Act.

Catchment Audit means the catchment audit as described in the Act.

Catchment and Environmental Performance Indicators means the catchment and environmental performance indicators in Schedule 2.

Catchment Infrastructure Works means the following works of the SCA:

- (a) Water Storages, water mains, or connected or associated works, or
- (b) monitoring devices in, under, over or near any works referred to in paragraph (a), or
- (c) works ancillary or incidental to any works referred to paragraph (a) or (b); and
- (d) any works prescribed by the regulations as being within the definition of 'Catchment Infrastructure Works' under the Act,

but excluding anything excluded by the regulations.

Commencement Date means the later of 1 January 2006 and the date that the Licence is published in the NSW Government Gazette.

Complaint means an expression from a person to the SCA of dissatisfaction with the SCA's products, services, infrastructure, policy, actions or proposed actions or failure by the SCA, its employees or contractors to act.

Consultation means any activities or forums initiated by the SCA with its Customers and/or community for the main purpose of obtaining feedback on its activities and Functions and may, but need not include engaging in Public Consultation. Consultation does not include activities or forums initiated by the SCA with EPA, WAMC or NSW Health under a Memorandum of Understanding required under clause 2.3 of the Licence.

County Council has the meaning given to that term in the Act.

Customer means:

- (a) Sydney Water Corporation,
- (b) a water supply authority, a Local Council or a County Council that is supplied Bulk Raw Water by the SCA; or
- (c) a person supplied Bulk Raw Water by the SCA, but under terms and conditions that prevent that person from supplying the Bulk Raw Water for consumption by others within New South Wales unless that person is authorised to do so under the Act.

DEC means the Department of Environment and Conservation, which now incorporates the Environment Protection Authority and National Parks and Wildlife Service.

Design Criteria means a series of operating rules designed by the SCA to ensure that the Catchment Infrastructure Works do not run out of water and that this is achieved without imposing water restrictions too frequently, too severely, or for excessively long periods.

DNR means the Department of Natural Resources, formerly the Department of Infrastructure, Planning and Natural Resources.

Environmental Water means a release of water from storage so as to provide a flow of water in a river, stream, or other natural waterway in a manner that mimics natural seasonal flows with the intention of restoring and maintaining the ecology of the river, stream or natural waterway concerned.

Environment Plan means the environment plan defined in clause 5.1.1.

End of Term Review means the end of term review of the Licence under clause 1.6.1.

EPA means the Environment Protection Authority, which is now incorporated in the DEC.

Function has the meaning given to that term in the Act.

Health Related Water Quality Characteristics means the health related water quality characteristics defined in clause 3.2.1.

Incident Management Plan means the incident management plan defined in clause 3.7.7.

IPART means the Independent Pricing and Regulatory Tribunal of New South Wales constituted by the *Independent Pricing and Regulatory Tribunal Act 1992*.

Licence means this operating licence granted under section 25 of the Act to the SCA or any renewal or amendment of it, and as in force for the time being.

Licence Review Body means IPART, unless the Minister otherwise determines.

Local Council has the meaning given to that term in the Act.

Memorandum of Understanding means the memorandum of understanding referred to in clause 2.3.

Metropolitan Water Plan means the Metropolitan Water Plan of the NSW Government released by the DNR in 2004. The Metropolitan Water Plan is a government policy which outlines a 25 year, \$1.4 billion strategy to ensure sufficient water for Sydney through supply optimisation, augmentation and demand management measures.

Mid Term Review means the mid-term review of the Licence under clause 1.5.1.

Minister means the Minister responsible for administering those provisions of the Act relating to the Licence.

Monitoring Program means the monitoring program defined in clause 3.6.1.

NHMRC means National Health and Medical Research Council.

NRMMC means the Natural Resources Management Ministerial Council.

NSW Dams Safety Committee means the Dams Safety Committee constituted under the *Dams Safety Act 1978*.

NSW Health means the NSW Department of Health.

Plan of Management means any Plan or Plans of Management for a Special Area adopted by the Minister from time to time under section 49 of the Act.

Public Consultation has the meaning given to it in clause 13.2.3.

Regional Environmental Plan means the plan or plans referred to in section 53 of the Act.

SCA means the Sydney Catchment Authority constituted under the Act.

Shoalhaven City Council means the Shoalhaven City Council as constituted under the *Local Government Act 1993*.

Shoalhaven Scheme means the water supply and hydro-electric power generation scheme in the Shoalhaven catchment. Water from a number of dams is used to supply local communities and supplement the SCA's other storages through the transfer of water from the Shoalhaven catchment (Fitzroy Falls Dam) to the Hawkesbury Nepean catchment (Wingecarribee Dam).

Special Area has the meaning given to that term in the Act.

Specific Water Characteristics means the specific water characteristics defined in clause 3.1.1.

[Note: The Specific Water Characteristics are derived from the water characteristics listed in Chapter 10 of the Australian Drinking Water Guidelines 2004 and include the water characteristics and contaminants referred to as “site specific standards” and “health related water quality standards”(as set out in Schedule 4) of the 2000 Operating Licence.]

State Environmental Planning Policy 58 (SEPP 58) means the SEPP entitled “Protecting Sydney’s Water Supply” issued under the *Environmental Planning and Assessment Act 1979* as gazetted on 14 December 1998 and as amended, supplemented or replaced from time to time.

Sydney Water Corporation means Sydney Water Corporation constituted as a corporation under the *Sydney Water Act 1994*.

Total Asset Management Policy means the Total Asset Management Policy set out in NSW Treasury Circular NSW TC 04/09 in August 2004.

WAMC means the Water Administration Ministerial Corporation constituted under the *Water Management Act 2000*.

Water Quality Management Framework means the water quality management framework defined in clause 3.7.1.

Water Storages has the meaning given to that term in the Act.

Water Supply System Infrastructure means the infrastructure owned and operated by Sydney Water Corporation for the supply of water to its customers.

Water Supply System Yield means the amount of water that the SCA estimates (using a hydrological model) it can supply annually over the long-term, subject to:

- (a) inflows to the water supply system;
- (b) an adopted set of operational rules (including the release of Environmental Water); and
- (c) the Design Criteria.

Water Treatment means treating water by substantially removing or reducing certain contaminants and characteristics prior to the water being used or supplied for use by business and household consumers for human consumption.

Wingecarribee Shire Council means the Wingecarribee Shire Council as constituted under the *Local Government Act 1993* (NSW).

13.2 Interpretation

13.2.1 In the Licence, unless the contrary intention appears:

- (a) the word person includes an individual, a body corporate, an unincorporated body or other entity and one or more of each of them;
- (b) a reference to a law includes legislation and regulations made under legislation;
- (c) a reference to regulations includes ordinances, codes, licences, orders, permits and directions;
- (d) a reference to a law, regulations, licences, guidelines or any other document, policy or strategy includes consolidations, amendments, variations, re-enactments, or replacements of any of them;
- (e) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns;
- (f) a reference to a year means a calendar year that ends on 31 December. "Yearly" has a corresponding meaning;
- (g) a reference to a financial year is a reference to a period commencing on 1 July and ending on 30 June; and
- (h) a reference to a clause, Part or Schedule is to a clause, Part or Schedule to the Licence.

13.2.2 Whenever the Licence requires the SCA to make something available to the public, the SCA must:

- (a) publish the information or document on its internet website and make it available to download free of charge;
- (b) make the information or document available at its offices for viewing by any person, free of charge; and
- (c) make the information or document available at its offices for collection by any person, for which the SCA may charge a reasonable fee (unless required by the Licence to make the information or document available free of charge).

13.2.3 If the Licence requires that something undergo Public Consultation, it requires as a minimum that:

- (a) notice of that thing and the nature and timing of the consultation be:
 - (i) advertised in a major daily newspaper circulating in the Area of Operations;
 - (ii) communicated to persons to whom it would reasonably be expected notice should be given; and
 - (iii) given to IPART; and
- (b) submissions be sought from the public and that those submissions be considered by the person conducting the review.

- 13.2.4 If any part of the Licence is prohibited, void, voidable, illegal or unenforceable, then that part is severed from the Licence but without affecting the continued operation of the remainder of the Licence.
- 13.2.5 A reference in the Licence to any organisation, association, society, group, or body shall, in the event of it ceasing to exist or being reconstituted, renamed or replaced or if its functions are transferred to any other entity, body or group, refer respectively to any such entity, body or group, established or constituted in lieu thereof or succeeding to similar functions.
- 13.2.6 If there is disagreement between the SCA and IPART as to the proper interpretation of any term of the Licence, the matter must first be referred to the Minister for resolution by the Minister or a person appointed by the Minister.
- 13.2.7 The italicised explanatory notes in the Licence do not form part of the Licence.
- 13.2.8 Where IPART requires some act or thing to be done under the Licence, the SCA must provide reasonable assistance to IPART, or other person nominated by IPART, with the intent of enabling that act or thing to be done.
- 13.2.9 If there is any inconsistency between the Licence and a Memorandum of Understanding (including any interpretation of any provision), or between the Licence and the Bulk Water Supply Agreement (including any interpretation of any provision), the Licence will prevail to the extent of the inconsistency.

SCHEDULE 1 AREA OF OPERATIONS

The Area of Operations of the SCA is the inner catchment area and the outer catchment area, as declared by the Governor under section 41 of the Act.

[Note: On 30 June 1999, the Governor declared that:

The inner catchment area is:

- (i) the area of land within all the special areas of the Sydney Catchment SCA except the area of land within the Richmond, Windsor, Penrith, O'Hares Creek and Devines Weir special areas; and*
- (ii) the hydrological catchment of the Prospect reservoir.*

The outer catchment area is the area of land within the hydrological catchments of:

- (i) the Warragamba River and its tributaries which drain to Lake Burragorang;*
- (ii) the Shoalhaven River and its tributaries which drain to Lake Yarrunga; and*
- (iii) Greaves, Whipcord, Woodford and Cascades Creeks;*

But excluding the inner catchment area described above.

(NSW Government Gazette No. 76, p 4649.)

Special Areas

Following the enactment of the Water Board Act 1987, catchment areas became known as special areas. Catchment areas proclaimed under the Metropolitan Water Sewerage and Drainage Board Act were:

- *Warragamba (Inner and Outer Catchments);*
- *Metropolitan (Cataract, Cordeaux, Avon and Nepean storages);*
- *Woronora;*
- *O'Hares Creek;*
- *Shoalhaven;*
- *Wingecarribee;*
- *Fitzroy Falls;*
- *Devines Weir;*
- *Penrith;*
- *Richmond;*
- *Windsor;*
- *Blackheath;*
- *Katoomba; and*
- *Woodford Special Areas.]*

SCHEDULE 2 CATCHMENT AND ENVIRONMENTAL PERFORMANCE INDICATORS

Indicators of ecological health of the catchments

Catchment and Environmental Performance indicator	Reporting frequency	Catchment and Environmental Performance Measure
1. Water quality	annual	<p>Water quality in catchment waterways in the Catchment Area measured against the applicable water quality objectives specified in the <i>Australian and New Zealand Guidelines for Fresh and Marine Water Quality 2000</i>.</p> <p>[Note:</p> <ul style="list-style-type: none"> The <i>Australian and New Zealand Guidelines for Fresh and Marine Water Quality 2000</i> is the Guidelines published by the Australian and New Zealand Environment and Conservation Council and the Agriculture and Resource Management Council of Australia and New Zealand, as amended, varied or replaced.. The “applicable water quality objectives” are the water quality objectives for the environmental values: <ul style="list-style-type: none"> Aquatic Ecosystems, Recreational Water – primary contact, secondary contact and visual use, Drinking Water (raw water), Primary Industries – irrigation and general water use, livestock drinking water and aquaculture and human consumers of aquatic foods, <p>as specified in the <i>Australian and New Zealand Guidelines for Fresh and Marine Water Quality 2000</i>.]</p>
	annual	<p>Occurrence of <i>Cryptosporidium</i> and <i>Giardia</i> cysts or oocysts in catchment waterways.</p> <p>[Note:</p> <p>The occurrence of <i>cryptosporidium</i> and <i>Giardia</i> cysts is to be measured by the number of incidences of <i>cryptosporidium</i> and <i>Giardia</i> in the high (>1000 cysts/L), medium (100-1000 cysts/L) and low (<100 cysts/L) categories.]</p>
	4 years	<p>Macro invertebrate assemblages in catchment waterways, as assessed at sampling locations across the Catchment Area in accordance with best practice methodology (eg. AusRivAS health rating).</p> <p>[Note:</p> <p>“AusRivAS” stands for Australian River Assessment Scheme.]</p>

Catchment and Environmental Performance indicator	Reporting frequency	Catchment and Environmental Performance Measure
	annual	Level and variability of streamflow (in-flows to SCA's storages).
2. Condition of Land	4 years	Extent (ha or abundance) of threatened and endangered species for each Special Area. <i>[Note: "Special Area" is defined under the Act. "Threatened species" and "endangered species" are defined in the Threatened Species Conservation Act 1995.]</i>
		Extent (ha or abundance) of pest species for each Special Area.
		Area (ha) of new outbreaks of salinity in the Catchment Area.
		Area of salinity affected lands (ha and % of total) under appropriate management.
		Extent, type and condition of vegetation cover (ha and % of total) in the Catchment Area.
		Extent and type of soil erosion (ha by type of erosion) in the Catchment Area.
		Extent (ha and % of total) and type of land use in the Catchment Area.
3. Fish	4 years	Number of native and exotic fish species recorded at sampling locations above, below and within the SCA storages.

Indicators of SCA's management of the catchments

Catchment and Environmental Performance indicator	Reporting frequency	Definitions of key words / comments
1. Condition of Land	4 years	Area (km and % of total) of riparian zones fenced, revegetated or weeded as a result of SCA partnered and managed programs in the Catchment Area.
2. Water quality	annual	Implementation of SCA programs to address sewage in the Catchment Area.
		Number of activities or works undertaken by SCA to improve fish passage.
3. Research	annual	% SCA research and science activities with a focus on catchment management and planning with a direct business application.
4. Catchment protection	annual	Number of penalty infringement notices, warning letters, prosecutions, clean-up notices and prevention notices issued under the Act or regulations.
5. Catchment planning	annual	Proportion of catchment areas covered by strategic land and water capability assessments.

Catchment and Environmental Performance indicator	Reporting frequency	Definitions of key words / comments
		Proportion (of total received) of development proposals assessed by SCA within statutory timeframes..
		Proportion (of total received) of development proposals where SCA concurrence was withheld.
		Proportion (of total received) of development proposals where further SCA advice or conditions result in concurrence.
		Proportion of sub-catchments for which a Rectification Action Plan has been drafted and proportion completed.
6. Education	annual	Number of community education activities conducted as a mechanism to improve catchment health.

Indicators of SCA's impacts on the environment

Catchment and Environmental Performance indicator	Reporting frequency	Definitions of key words / comments
1. Energy	annual	Total annual energy consumed by the SCA (electricity, fuel and gas) in units provided on energy bills.
		Green electricity consumption as a % of total electricity consumption by the SCA.
		Green energy generated (kWh) by the SCA.
		Annual greenhouse gas emissions (CO ₂ equivalent) resulting from the SCA's consumption of electricity, fuel and gas.
2. Water consumption	annual	Total annual water consumed by SCA in units provided on water bills.
3. Waste	annual	Estimated volume and type of waste annually sent to landfill from the SCA's activities (kg per year).
		Waste recycled or reused expressed as a percentage of total waste generated by the SCA's activities, by type of waste.
4. Heritage	annual	Number of State heritage listed sites with Conservation Management Plans prepared as a proportion of the total number of State heritage listed sites.
5. Compliance with water releases	annual	% SCA compliance with water release requirements of any licence issued under the <i>Water Act 1912</i> or <i>Water Management Act 2000</i> (as varied or amended from time to time) and any additional water release requirements subsequently developed during the term of the Licence.

Appendix C Utility Interviews Agenda

This Appendix contains the Agenda for the Operational Audit Interviews conducted with the Sydney Catchment Authority on 12 September 2007 and 14 September 2007.

DRAFT AGENDA

SYDNEY CATCHMENT AUTHORITY OPERATIONAL AUDIT 2006/07

AUDIT INCEPTION MEETING

9.30pm Wednesday September 12, 2007

SCA Boardroom

Level 2, 311 High St, Penrith

- | | |
|--|--|
| 1. Introductions | Michael Seery, David Francis &
Ian Tanner |
| 2. Overview of IPART's proposed approach to the Audit
& timetable for Audit delivery (see overleaf) | Michael Seery |
| 3. Overview of the Audit plan and methodology | David Francis |
| 4. SCA's perspective | Ian Tanner |
| 5. Close | |

DRAFT 11 September 2007

Timetable operating licence audit interviews

Wednesday 12 September 2007 (SCA Board Room, Level 2, 311 High Street Penrith)

- *9.30am-10.00am – Inception meeting SCA (Ian Tanner, Alison White, Simone Greenaway & Donna Siemsen), Halcrow (David Francis & Jim Sly) and IPART via conference call (Michael Seery, Bob Burford, Yeng Lambropoulos, Paul Kamlade & Greg Dodd)*
- *10am-12noon – Preparation and lunch*
- *12noon-2pm – Policy & Governance: Alison White, Donna Siemsen & Jenny Tibbitts*
Conditions to be audited; Water Quality Planning - Water Quality Management Framework (3.7.1 to 3.7.5), Environment Plan (5.1.1) and Catchment and Environmental Performance Indicators (5.2.1 to 5.2.3)
- *2.00pm-4.00pm – Environment & Planning: Barrie Turner, Alison White & Donna Siemsen*
Conditions to be audited; Regional Environmental Plan (4.3.1 to 4.3.3) and State Environmental Planning Policy (4.4)

Friday 14 September (conference room 1, level 1, 311 High Street, Penrith)

- *8am-10am – Bulk Water: Graham Begg, Alison White & Donna Siemsen (Water quality focus)*
Conditions to be audited; Specific Water Characteristics (3.1.1 to 3.1.4), Health-Related Water Quality Characteristics (3.2.1), Water Supplied for Water Treatment (3.4), Water quality monitoring and reporting (3.6.1, 3.6.2, 3.6.7, 3.6.8, 3.6.11) and environmental water quality (3.8)
- *10.00am-noon – Bulk Water: Graham Begg, Alison White & Donna Siemsen (Water quantity focus)*
Conditions to be audited; Catchment and System Management (3.5), Management of Catchment Infrastructure (6.1.1 & 6.1.2), Water Supply System yield (6.2.1 to 6.2.6) and Water Conservation 6.4.3 – leakage & loss report
- *12pm-12.30pm LUNCH*
- *12.30pm-2pm – COMPS: George Dodds, Alison White & Donna Siemsen.*
Conditions to be audited; Catchment and System Management (3.5), SCA to Manage and Protect Catchment Areas (4.1.1 to 4.1.3), Plans of Management - Special Areas (4.2.1 to 4.2.2)

Appendix D Stakeholder Consultation

This Appendix contains the letters sent to the stakeholders requesting their comments on the SCA's performance and the responses received from those stakeholders.

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Mr Greg Reynolds
Corporate Compliance Manager
Sydney Water Corporation
115-123 Bathurst Street
Sydney, NSW, 2000

19 October 2007

Our ref: KMWGAK/711823
Your ref:

Dear Mr Reynolds,

SCA Operational Licence Audit 2006/07 - Comments on SCA Performance

I am writing in regard to the 2006-2007 Operational Audit of Sydney Catchment Authority (SCA) which commenced on 4 September 2007. The Independent Pricing and Regulatory Tribunal (the Tribunal) has engaged Halcrow Pacific Pty Ltd to assist with this years' audit of SCA's compliance against its Operating Licence.

There are a number of specific requirements under the Operating Licence where SCA is required to consult and/or obtain approval from Sydney Water Corporation (SWC) and these are outlined below. SCA has reported on these requirements as follows.

- (i) *Clause 3.4(b) – the SCA must liaise, cooperate and where possible agree on cost effective strategies (and the timing of their implementation) with Customers to ensure treated water consumed by humans is not harmful to human health.*

SCA have reported that they have complied with this requirement and have cited as an example the reports to SWC on their conformance under Clause 5.3, Schedule 2 of the Bulk Water Supply Agreement. SCA have also provided minutes from the six weekly Strategic Operational Interface meetings with SWC indicating that water quality performance reviews are included in the standard agenda.

Could you please comment on SCA's response above and indicate whether SWC is satisfied with the level of consultation by SCA and the outcomes of the meetings?

We are also seeking SWC's feedback on the SCA's performance in relation to a recent turbidity incident at Warragamba Dam in late June 2007. We would appreciate your comments on issues including, but not limited to:

- the SCA's response and notification times for the incident;
- the level of interaction between the SCA and SWC; and
- the ease of implementation of the SCA's Bulk Raw Water Quality Incident Response Plan as it related to SWC.

We would also appreciate your comments on any other matters that SWC believe are relevant to the performance of the SCA against their 2006-2010 Operating Licence.

If possible, I would appreciate your comments by the close of business on 26 October 2007. If you have any questions or wish to discuss any aspect of this letter please do not hesitate to contact me by telephone on (03) 9899 9777, or by email at the address listed below.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'David Francis', is positioned above the typed name and title.

David Francis
Senior Engineer
francisdav@halcrow.com

cc: Mr Bob Burford, Independent Pricing and Regulatory Tribunal.

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Mr Salim Vhora
Corporate Licence Development Manager
Department of Water and Environment
Level 1, 308 High Street
PO Box 651
Penrith, NSW, 2751

19 October 2007

Our ref: KMWGAK/7111821

Your ref:

Dear Mr Vhora

SCA Operational Licence Audit 2006/07 - Comments on SCA Performance

I am writing in regard to the 2006-2007 Operational Audit of Sydney Catchment Authority (SCA) which commenced on 4 September 2007. The Independent Pricing and Regulatory Tribunal (the Tribunal) has engaged Halcrow Pacific Pty Ltd to assist with this years' audit of SCA's compliance against its Operating Licence.

We are seeking general comments from the SCA's major customers and stakeholders regarding their views on the SCA's performance of its obligations under the Operating License.

We are seeking the Department of Water and Environment's (DWE) feedback on any particular issues that they may wish to raise in relation to the SCA's performance including, but not limited to, any water quality incidents where DWE became involved and consultation in regards to the Regional Environment Plan and the Raw Drinking Water Quality Management Framework.

We would also appreciate your comments on any other matters that DWE believe are relevant to the performance of the SCA against their 2006-2010 Operating Licence.

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If possible, I would appreciate your comments by the close of business on 26 October 2007. If you have any questions or wish to discuss any aspect of this letter please do not hesitate to contact me by telephone on (03) 9899 9777, or by email at the address listed below.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'David Francis', with a stylized, cursive script.

David Francis
Senior Engineer
francisdav@halcrow.com

cc: Mr Bob Burford, Independent Pricing and Regulatory Tribunal.

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Mr Ross Carter
Director Metropolitan
Environment Protection and Regulation Division
Department of Environment and Climate Change
PO Box 668
Parramatta, NSW, 2124

19 October 2007

Our ref: KMWGAK/7111820
Your ref:

Dear Mr Carter,

SCA Operational Licence Audit 2006/07 - Comments on SCA Performance

I am writing in regard to the 2006-2007 Operational Audit of Sydney Catchment Authority (SCA) which commenced on 4 September 2007. The Independent Pricing and Regulatory Tribunal (the Tribunal) has engaged Halcrow Pacific Pty Ltd to assist with this years' audit of SCA's compliance against its Operating Licence.

We are seeking general comments from the SCA's major customers and stakeholders regarding their views on the SCA's performance of its obligations under the Operating License.

We are seeking Department of Environment and Climate Change (DECC) feedback on any particular issues that they may wish to raise in relation to the SCA's performance including, but not limited to, any water quality incidents where DECC became involved and consultation in regards to the Regional Environment Plan and the Raw Drinking Water Quality Management Framework.

We would also appreciate your comments on any other matters that DECC believe are relevant to the performance of the SCA against their 2006-2010 Operating Licence.

If possible, I would appreciate your comments by the close of business on 26 October 2007. If you have any questions or wish to discuss any aspect of this letter please do not hesitate to contact me by telephone on (03) 9899 9777, or by email at the address listed below.

Yours sincerely

A handwritten signature in blue ink, reading "David Francis". The signature is written in a cursive, flowing style.

David Francis
Senior Engineer
francisdav@halcrow.com

cc: Mr Bob Burford, Independent Pricing and Regulatory Tribunal.

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Mr Michael Staff
Director Environmental Health
NSW Health
PO Box 798
Gladesville, NSW, 1675

19 October 2007

Our ref: KMWGAK/7111822
Your ref:

Dear Mr Staff,

SCA Operational Licence Audit 2006/07 - Comments on SCA Performance

I am writing in regard to the 2006-2007 Operational Audit of Sydney Catchment Authority (SCA) which commenced on 4 September 2007. The Independent Pricing and Regulatory Tribunal (the Tribunal) has engaged Halcrow Pacific Pty Ltd to assist with this years' audit of SCA's compliance against its Operating Licence.

We are seeking general comments from the SCA's major customers and stakeholders regarding their views on the SCA's performance of its obligations under the Operating License.

We are seeking NSW Health's feedback on any particular issues that they may wish to raise in relation to the SCA's performance including, but not limited to, any water quality incidents where NSW Health became involved and consultation in regards to the Regional Environment Plan and the Raw Drinking Water Quality Management Framework.

We note from our interviews with the SCA that they are currently consulting with NSW Health regarding the removal of turbidity from the list of Health Related Water Quality Characteristics and its transfer to the list of Specific Water Characteristics. We would appreciate NSW Health's comments on this process.

We would also appreciate your comments on any other matters that NSW Health believes are relevant to the performance of the SCA against their 2006-2010 Operating Licence.

If possible, I would appreciate your comments by the close of business on 26 October 2007. If you have any questions or wish to discuss any aspect of this letter please do not hesitate to contact me by telephone on (03) 9899 9777, or by email at the address listed below.

Yours sincerely

A handwritten signature in blue ink, reading "David Francis". The signature is written in a cursive style with a large 'D' and 'F'.

David Francis
Senior Engineer
francisdav@halcrow.com

cc: Mr Bob Burford, Independent Pricing and Regulatory Tribunal.

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Mr Bob Goldspring
Director Development & Environmental Services Group
Shoalhaven City Council
City Administrative Centre
PO Box 42
Nowra, NSW 2541

19 October 2007

Our ref: KMWGAK/7111824
Your ref:

Dear Mr Goldspring,

SCA Operating Licence Audit 2006/07 - Comments on SCA Performance

I am writing in regard to the 2006-2007 Operational Audit of Sydney Catchment Authority (SCA) which commenced on 4 September 2007. The Independent Pricing and Regulatory Tribunal (the Tribunal) has engaged Halcrow Pacific Pty Ltd to assist with this years' audit of Sydney Catchment Authority's compliance against its Operating Licence.

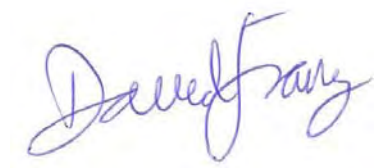
We are seeking general comments from the SCA's major customers and stakeholders regarding their views on the SCA's performance of its obligations under the Operating License.

We are seeking Council's feedback regarding the recent implementation of the Regional Environment Plan. We are particularly interested in your comments on the transfer of onus in assessing the impact of development applications within the catchment area from the SCA to the Council. Specifically, we seek any comments regarding the 'NorBE' model for assessing development applications and the quality of preparation and training the SCA provided to Council to implement this system.

It would be much appreciated if you could provide a short reply by the 26 October 2007 in relation to the issues raised above or any other issues you would like to raise concerning the SCA's performance under its Operating License.

Should you have any questions or you wish to discuss any aspect of this letter please do not hesitate to contact me by telephone on (03) 9899 9777, or by email at the address listed below.

Yours sincerely

A handwritten signature in blue ink, reading "David Francis". The signature is fluid and cursive, with the first name "David" and last name "Francis" clearly distinguishable.

David Francis
Senior Engineer
francisdav@halcrow.com

cc: Mr Bob Burford, Independent Pricing and Regulatory Tribunal.

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Mr Selva Selvaratnam
Water and Sewer Manager
Wingecarribee Shire Council
Civic Centre
PO Box 42
Moss Vale, NSW 2577

19 October 2007

Our ref: KMWGAK/7111825

Your ref:

Dear Mr Selvaratnam,

SCA Operating Licence Audit 2006/07 - Comments on SCA Performance

I am writing in regard to the 2006-2007 Operational Audit of Sydney Catchment Authority (SCA) which commenced on 4 September 2007. The Independent Pricing and Regulatory Tribunal (the Tribunal) has engaged Halcrow Pacific Pty Ltd to assist with this years' audit of Sydney Catchment Authority's compliance against its Operating Licence.

We are seeking general comments from the SCA's major customers and stakeholders regarding their views on the SCA's performance of its obligations under the Operating License.

We are seeking Council's feedback regarding the recent implementation of the Regional Environment Plan. We are particularly interested in your comments on the transfer of onus in assessing the impact of development applications within the catchment area from the SCA to the Council. Specifically, we seek any comments regarding the 'NorBE' model for assessing development applications and the quality of preparation and training the SCA provided to Council to implement this system.

It would be much appreciated if you could provide a short reply by the 26 October 2007 in relation to the issues raised above or any other issues you would like to raise concerning the SCA's performance under its Operating License.

Should you have any questions or you wish to discuss any aspect of this letter please do not hesitate to contact me by telephone on (03) 9899 9777, or by email at the address listed below.

Yours sincerely

A handwritten signature in blue ink, reading "David Francis". The signature is written in a cursive style with a large, stylized 'D' and 'F'.

David Francis
Senior Engineer
francisdav@halcrow.com

cc: Mr Bob Burford, Independent Pricing and Regulatory Tribunal.

Received 8/11/07
[Signature]

Mr David Francis
Senior Engineer, Water Business Group
Halcrow Pacific Pty Ltd
Level 1 542 Station Street
BOX HILL VIC 3128

31 October 2007

Dear David

Subject: Sydney Catchment Authority Operational Audit 2006/07

I refer to your letter of 19 October 2007 to our Mr Greg Reynolds requesting Sydney Water comments in relation to the Sydney Catchment Authority (SCA) Operating Licence audit. Mr Reynolds has asked me to respond.

The Sydney Water response on the two SCA Operating Licence requirements nominated in your letter is as follows: -

(i) *Clause 3.4(b) – the SCA must liaise, cooperate and where possible agree on cost effective strategies (and the timing of their implementation) with Customers to ensure treated water consumed by humans is not harmful to human health.*

The SCA has provided Sydney Water with sufficient data and reports to demonstrate that they have met their performance requirements under clause 5.3, schedule 2 of the Bulk Water Supply Agreement. Sydney Water agrees that this demonstrates a key aspect of compliance with clause 3.4(b) of the SCA Operating Licence.

Sydney Water and the SCA have established processes for consultation at different levels of management, including the weekly Strategic Operations Interface Group meeting.

The Strategic Operations Interface Group meets to discuss and resolve issues related from day-to-day water quality performance, quantity issues and incidents. The SCA works closely with Sydney Water through these reviews to optimise and/or coordinate activities across storages, treatment and distribution systems.

The Strategic Operations Interface meetings have also proved useful in keeping process and interface documents and procedures current and relevant.

Sydney Water is satisfied with the level of consultation by SCA through these Strategic Operational Interface meetings.

(ii) Feedback on the SCA's performance in relation to a recent turbidity incident at Warragamba Dam in late June 2007.

The SCA and Sydney Water have a set of protocols and processes to respond to any incident affecting raw water quality or volume. These protocols have been tested previously through regular joint agency practice exercises.

The SCA responded to the June turbidity incident in general compliance with the protocols and provided the appropriate level of interaction required by Sydney Water. Interaction is continuing regarding this incident, in terms of assessment of performance and identification of improvement actions as necessary.

Overall, the SCA's Bulk Raw Water Quality Incident Response Plan forms an effective mechanism for the SCA, Sydney Water and NSW Health to quickly and transparently deal with these types of raw water incidents.

Overall

Sydney Water is satisfied with the performance of the SCA with respect to the provision of raw water to Sydney Water under its Operating Licence and Bulk Water Supply Agreement. The recent Warragamba turbidity incident is an example of the cooperative partnership that exists between Sydney Water and the SCA, and NSW Health as the regulator.

Should you require clarification of any points raised in this letter, I can be contacted by phone on (02) 9795 4319 or by email at eric.derooy@sydneywater.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Eric de Rooy', written over the printed name and title.

Eric de Rooy
Manager, Strategic Operations
Asset Management

Received 9/11/07
David Francis



NSW Government

DEPARTMENT OF WATER & ENERGY

Contact: Helen Keenan
Phone: 02 4729 8120
Mobile: 0413 934 076
Fax: 02 4729 8141
Email: Helen.Keenan@dnr.nsw.gov.au
Our ref: SCAL 12 33/07
Your ref: KMWGAK/7111821
File: 2007-11-05 Operating Licence Audit
comments.doc

David Francis
Senior Engineer
Halcrow Pacific Pty Ltd
Level 1, 542 Station Street
Box Hill
Melbourne VIC 3128

5 November 2007

Dear Mr Francis

Subject: SCA Operational Licence Audit 2006/2007 – Comments on SCA performance

I refer to your letter of 19 October 2007 requesting comments from the Department of Water and Energy (DWE) in relation to Sydney Catchment Authority's (SCA) auditable obligations under their Operating Licence.

DWE's comments are provided in the report accompanying this letter (Tag A).

If you have any further queries about this matter please contact Helen Keenan on 4729 8120 or via email at Helen.Keenan@dnr.nsw.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read "Salim Vhora".

Salim Vhora
Manager, Corporate Licence Development
Compliance and Licensing Division

Comments on the SCA's Operating Licence Audit 2006-07

Condition 2.3.2(b). "The Memorandum of Understanding with WAMC is to recognise the role of WAMC in regulating water access, storage, use and the provision of environmental flows, and protecting river health in New South Wales".

DWE believes that this condition has been met as an MOU between the parties does exist, although it has not been recently updated. The current Water Management Licence recognises the role of WAMC (as represented by DWE), and the Licence conditions ensure access, storage and use are controlled. Environmental flows and the protection of river health downstream of the SCA's storages are regulated by the Water Management Licence. The SCA and DWE meet at least three times per year to discuss matters related to the implementation of the Water Management Licence.

Condition 3.6.4 "an effective system of quality assurance in the monitoring, sampling, testing and reporting processes, which must be to the satisfaction of NSW Health and DNR".

DWE believes that the SCA could improve reporting on the Quality Assurance /Quality Control (QA/QC) system, which would increase confidence in the water quality monitoring results. The draft 2007 report (prepared for the 2006-07 financial year) has not addressed the DWE's comments made on the previous Annual Water Quality Report. Areas where further improvements could be made to the QA/QC reporting include:

- In the latest report it is stated that 14% of samples (blanks and duplicates) were outside guideline limits, it is not clear whether these were field or laboratory samples and what the possible causes of the non-compliances were.
- Guideline limits should be stated.
- Information on steps taken to improve the performance should be provided where samples do not meet the guideline limits.
- Progress on improving the quality of obtained samples should be provided – eg a comparison with the results of non-conforming samples with the last few years' results to indicate improvement. If no improvement is shown, then some explanation should be provided as to why.

Condition 3.8. The SCA must meet the environmental water quality requirements for any discharges or water releases required under licences issued to the SCA by DEC or DNR.

Key roles of the SCA's Water Management Licence are:

- to ensure environmental water releases are made, and
- to minimise harm done to the environment through bulk water transfers.

The SCA met its water release requirements under the Water Management Licence for the 2006-07 period.

Your reference : KMWGAK/7111820
Our reference : SR245
Contact : Jakki Trenbath, 9995 6809

Mr David Francis
Halcrow Pacific
Level 1 542 Station Street
BOX HILL Victoria 3128

Dear Mr Francis

Re: Sydney Catchment Authority (SCA) Operational Licence Audit 2006/07

I refer to your letter dated 19 October 2007 seeking comments from NSW Department of Environment and Climate Change (DECC) on the issue of SCA's performance against its operating licence.


DECC is not aware of any breaches of SCA's operating licence in the 2006/07 period.

DECC was satisfied with SCA's consultation in regards to the Regional Environment Plan and the Raw Drinking Water Quality Management Framework, and does not have any specific comments on water quality incidents in SCA areas.

DECC staff interact with SCA staff across the catchment and with regard to a diverse range of issues, including the shared management of lands. The relationship at an operational level is generally excellent – DECC staff report that SCA operational staff are helpful and cooperative, and there is smooth sharing of resources, information and facilities in the field. There may, however, be room for improvement in the strategic communication between SCA and DECC.

Should you have any questions regarding the above matters please do not hesitate to contact Jakki Trenbath on 9995 6809.

Yours sincerely



26.11.07

DANIEL LARGE
Acting Head Metropolitan Infrastructure Unit
Climate Change and Environment Protection

The Department of Environment and Conservation NSW is now known as
the Department of Environment and Climate Change NSW

PO Box 668, Parramatta NSW 2124
Level 7, 79 George St, Parramatta NSW
Tel: (02) 9995 5000 Fax: (02) 9995 6900
ABN 30 841 387 271
www.environment.nsw.gov.au

Department of **Environment and Conservation** NSW



Mr David Francis
Senior Engineer, Water Business Group
Halcrow Pacific Pty Ltd
Level 1, 542 Station Street
Box Hill, Melbourne VIC 3128

Dear Mr Francis

I refer to your request to NSW Health for comments on Sydney Catchment Authority's (SCA) performance against the 2006 – 2010 Operating Licence during the 2006-07 financial year.

NSW Health maintains an effective and open relationship with the SCA at officer and strategic levels. Regular meetings provide the opportunity to discuss matters of mutual concern and ensure the provisions of the Operating Licence and Memorandum of Understanding (MoU) are met.

NSW Health is satisfied that the SCA has met its obligations under the Operating Licence and MoU.

In January 2007 the SCA assisted Sydney Water in responding to taste and odour complaints in the Illawarra system. This event did not present a risk to public health.

In June 2007, the SCA worked effectively with Sydney Water to manage high turbidity that entered Warragamba Dam as a result of heavy rains. The selection of appropriate quality source water provided extra protection to the drinking water supplied during this event.

Your letter asked about the status of turbidity as a monitoring characteristic for the SCA. This matter has not been finalised.

Thank you for the opportunity to provide input to the audit process. Should you have enquiries please do not hesitate to contact Mr Sandy Leask, at NSW Health's Water Unit on 9816 0537.

Yours sincerely



Dr Wayne Smith
Director, Environmental Health

28 Nov 2007

NSW Department of Health
ABN: 92 697 899 630

PO Box 798 Gladesville NSW 1675
Building 11, Gladesville Hospital
Victoria Road, Gladesville NSW 2111
Telephone (02) 9816 0234 Fax (02) 9816 0240
Website www.health.nsw.gov.au

Appendix E SCA's Response to the Second Draft Audit Report

This Appendix contains the response submitted by the Sydney Catchment Authority to the findings of the second Draft Audit Report.



PO Box 323 Penrith NSW 2751
Level 2, 311 High Street
Penrith NSW 2750
Tel 1300 722 468 Fax 02 4732 3666
Email info@sca.nsw.gov.au
Website www.sca.nsw.gov.au

Ref: D2007/08419

Mr J Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Mr Cox

I refer to the second draft report of the 2007 Operational Audit of the Sydney Catchment Authority (SCA), received on 28 November 2007 from the Independent Regulatory and Pricing Tribunal (IPART).

Thank you for the opportunity to provide comment on the final second draft report. The SCA has no further comments on the report.

Should you require any further information, please telephone Andrew Bryan, General Manager Policy and Governance, on 4725 4700.

Yours sincerely

LEA ROSSER 30.11.07
A/Chief Executive



PO Box 323 Penrith NSW 2751
Level 2, 311 High Street
Penrith NSW 2750
Tel 1300 722 468 Fax 02 4732 3666
Email info@sca.nsw.gov.au
Website www.sca.nsw.gov.au

Ref: D2007/08028

Mr J Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Mr Cox

I refer to the preliminary second draft report of the 2006/07 operational audit for the Sydney Catchment Authority (SCA), received on 12 November 2007.

Thank you for the opportunity to provide comment on the preliminary second draft report. The attached table outlines the SCA's comments in relation to the second draft of the audit report, including issues that remain outstanding from the first draft. The additional information requested by the auditors has been sent directly to them.

Should you require any further information, please telephone Andrew Bryan, General Manager Policy and Governance, on 4725 4700.

Yours sincerely


15/11/07
Ian Tanner
A/Chief Executive

SCA's comments on the 2nd draft operating licence audit report

Condition & page no.	1st draft report			2nd draft report	
	1st draft report	SCA response	auditor's response	SCA return response	2nd draft report
Page 2-4 & Page 4-6	"signed by the Chief Executive Officer; or,"	The SCA has a Chief Executive Officer, as per section 9 of the <i>Sydney Water Catchment Management Act 1998</i> .	Noted. Text in report will be revised to suit.	Noted.	Corrected. However there is a reference to "Chief Executive Officer" on pages 2-4 and 4-6
Page 3-4	Clause 3.4 (a) and (c)	The Department of Natural Resources should be replaced with the Department of Water and Energy. The Department of Environment and Conservation is now the Department of Environment and Climate Change	Noted. References will be revised accordingly.	Noted.	Corrected. Under the <i>Sydney Water Catchment Management Act 1998</i> and operating licence the SCA is required to have an MoU with the Environment and Protection Authority (EPA) – now the Department of Environment and Climate Change.
Page 3-6					"Under SEPP, the consent authorities are either DNR [now DWE] or the relevant local council."
Condition 3.7.1 Page 4-15	SCA to provide further details of when the SCA Board considered and approved this Agenda Item.	The SCA Board considered the draft Water Quality Management Framework at the 15 December 2006 Board meeting. For further information please contact Andrew Bryan on 4725 4700.	Noted. The SCA needs to provide extracts of the agenda and minutes for the Board Meeting as evidence.	Halcrow to contact IPART to discuss.	"As the particular Board meeting included "Commercial in Confidence" items of business, the SCA have agreed to provide a written declaration stating the date that the Framework was submitted to and approved by the Board."
Condition 3.7.4(b)	SCA to provide more information on risk action plans they may have	The Framework refers to the SCA's Water Quality Risk Assessment	The Auditor's will consult with IPART to determine the scope of the "risk action	This issue was discussed with Greg Dodd from IPART on 26/10/07. As	The requested documents have been provided on CD directly to the auditors.

SCA's comments on the 2nd draft operating licence audit report

Condition & page no.	1st draft report			2nd draft report	
	1st draft report	SCA response	auditor's response	SCA return response	SCA response
Page 4-18	prepared in relation to the requirements of this clause.	(previously called the SCA's Water Quality Risk Management Framework). The Water Quality Risk Assessment includes risk assessment of water quality hazards for each water supply, meets the requirements of this clause.	plans" and whether the SCA's existing risk assessments of water quality hazards meet the requirements of this clause.	agreed the SCA's Corporate Risk Management Framework at Attachment 4.	SCA requested to provide copies of Incident Management Procedures Manual, Bulk Water Quality Incident Response Plan, Corporate Incident Management Framework, and Corporate Risk Management Framework.
Condition 3.7.4 (c) Page 4-18	The intent of this clause is unclear to the Auditors and clarification is required from IPART.	This condition should be classified as TBA, as "insufficient information" may give the impression that the auditors are waiting for further information from SCA.	Noted and compliance rating will be changed. The Auditor's will be consulting with IPART on this clause.	Noted.	It is requested that the SCA provides sample documentation that demonstrates the use of cost-benefit analyses in accessing management options as outlined above.
Condition 3.8 Page 4-20					An extract from the Water Quality Risk Assessment relating to cost-benefit analysis and the SCA Business Case Template (provided on CD above). While the SCA met the requirements in relation to cyanobacteria during the year, it is not accurate to say that there had been no incidents. For accuracy, the part of the sentence "however there had been no incidents reported during the year and" should be deleted.
Condition 4.3.3 Page 5-10	The SCA provided a copy of the 1 September report submitted to IPART with an undated letter. However,	The 2005-06, 1 September reports were submitted to IPART on 1 September 2006. A copy of letter	We noted that our comments related to the submission of the 2006-07 1 September report which	Material was provided on 26/10 with comments	Refer audit report on condition 4.1.2 as this correctly distinguishes between the reporting

SCA's comments on the 2nd draft operating licence audit report

Condition & page no.	1st draft report			2nd draft report	
	1st draft report	SCA response	auditor's response	SCA return response	SCA response
	<p>IPART have confirmed that the 1 September report was submitted on 14 September 2007 in an email to IPART.</p> <p>The report provides an extract from the SCA's draft Annual Report for 2006/07, specifically Condition 4.3 related to compliance with the key elements of the Regional Environmental Plan.</p>	<p>dated 1 September 2006 is attached at TAB 4. In addition, the reports were emailed on 15 September 2006.</p>	<p>is auditable in this audit period (refer also our comments on Page 5-2 Clause 4.1.2 above).</p> <p>The SCA should provide a dated copy of the letter submitting the 2006-07 1 September report to IPART.</p>		<p>obligation and the contents of the report. This should be used to reword this section.</p>
Condition 6.1.2 Page 7-1 & Page 7-4					<p>"The SCA uses tools such as system balancing rules, the Decision Support System and the WATHNET model..."</p> <p>It is the "decision support tool" not "Decision Support System".</p>

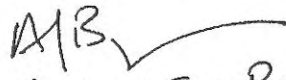
Commonwealth of Australia

STATUTORY DECLARATION
Statutory Declarations Act 1959

I, Andrew Bryan, of Level 2, 311 High St, Penrith in the State of New South Wales make the following declaration under the *Statutory Declarations Act 1959*:

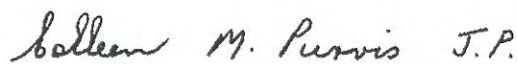
1. I am employed as the General Manager, Policy and Governance, at the Sydney Catchment Authority.
2. As General Manager, Policy & Governance and as the secretary of the Board for the Sydney Catchment Authority, I was present at the meeting of the Board on Friday 15 December 2006.
3. At this meeting the Board considered and noted the draft Water Quality Management Framework.

I understand that a person who intentionally makes a false statement in a statutory declaration is guilty of an offence under section 11 of the *Statutory Declarations Act 1959*, and I believe that the statements in this declaration are true in every particular.


ANDREW BRYAN
GENERAL MANAGER POLICY & GOV.

Declared at Lvl 2, 311 High Street Penrith NSW 2750.

On this thirteenth day of November 2007.


Colleen M. Purvis J.P.

Before me,

Colleen M. Purvis JP
No: 180256



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C | IPART Compliance Review Summary

Clause	Requirement	Compliance Certified	Evidence Submitted
2 THE SCA'S RESPONSIBILITIES			
2.3 Memoranda of Understanding			
2.3.1	Under section 36 of the Act, the SCA must maintain a Memorandum of Understanding with each of WAMC, Director-General of NSW Health, and EPA for the term of the Licence.	✓	<p>The SCA reported that</p> <ul style="list-style-type: none"> - The MOU with WAMC has been in place since 23 December 1999 and is currently operational. There are no plans to update the MOU. - The MOU with NSW Health commenced on 4 September 2006 and has been operational in the reporting period. - The MOU with the EPA (now DECC) commenced on 4 December 2001 and remains operational. There are no plans to update the current MOU.
2.3.2	<p>The purpose of the relevant Memorandum of Understanding is to form the basis for cooperative relationships between the parties to the Memorandum of Understanding with a view to furthering the objectives of the Licence and the Act. In particular:</p> <ul style="list-style-type: none"> (a) the Memorandum of Understanding with NSW Health is to recognise the role of NSW Health in providing advice to the Government of New South Wales in relation to water quality standards and public health; (b) the Memorandum of Understanding with WAMC is to recognise the role of WAMC in regulating water access, storage, use and the provision of environmental flows, and protecting river health in New South Wales; and (c) the Memorandum of Understanding with EPA is to recognise the role of EPA in protecting the environment of New South Wales. 	✓	<p>The SCA Reported that</p> <p>The MOU with NSW Health remains operational and continues to recognise the role of NSW Health in providing advice on water quality standards and public health. The Strategic Liaison Group (SLG) between the agencies met four times in the audit period. Joint Operational Group (JOG) between the agencies met four times in the audit period.</p> <p>The MOU with WAMC contains all the relevant provisions. Strategic Liaison Group (SLG) meetings occur in the form of Working Group meetings focused on the main regulatory instrument the Water Management Licence. There were three meetings in the audit period. The SCA also attends meetings at senior officer level to discuss issues related to water management.</p> <p>The MOU with EPA (now DECC) remains operational and continues to recognise the role of EPA in protecting the environment. The SCA met with the DECC on ten occasions in the audit period to discuss various issues relating to mining and Special Area Land Management.</p>

Clause	Requirement	Compliance Certified	Evidence Submitted
3	BULK RAW WATER QUALITY		
3.2	Health-Related Water Quality Characteristics		
3.2.3	The SCA must provide IPART with a copy of the list of Health Related Water Quality Characteristics (as updated from time to time), as soon as possible after it is agreed with NSW Health. The SCA must make a copy of that list available to the public after it has been provided to IPART.	✓	SCA Operational Audit 2005/06 p.5-8. The list is made available to the public through the SCA's Annual Water Quality Monitoring Report: http://www.sca.nsw.gov.au/publications/files/Water_quality_report.pdf - Table 3.1.
3.2.4	If the SCA and NSW Health cannot agree on a list of Health Related Water Quality Characteristics, the views of NSW Health will prevail and the SCA must accept the list of Health Related Water Quality Characteristics determined by NSW Health.	✓	As Above
3.6	Water Quality Monitoring and Reporting		
3.6.3	The SCA must provide: (a) the results of the routine monitoring required under clauses 3.6.2(a), 3.6.2(b) and 3.6.2(c) to the Customers that it supplies Bulk Raw Water for Water Treatment, as soon as practicable; and (b) the results of the routine monitoring required under clauses 3.6.2(b) and 3.6.2(c) to NSW Health, as soon as practicable.	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.5-11. SCA reported that there was no change in 2006/07.
3.6.4	The Monitoring Program must include at least the following in relation to the targeted, investigative and event based monitoring required under clause 3.6.1(b): (a) an effective system of quality assurance in the monitoring, sampling, testing and reporting processes, which must be to the satisfaction of NSW Health and DNR; and (b) sampling frequencies and locations that produce information to better define the occurrence and factors contributing to the presence of the characteristics in the water, which must be to the satisfaction of NSW Health and DNR..	✓	Full compliance assessed in the SCA Operational Audit 2005/06 p.5-12. SCA reported that there had been no change in 2006/07.
3.6.6	The SCA must maintain a database or databases of monitoring results for the routine, targeted, investigative and event based monitoring.	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.5-13.

Clause	Requirement	Compliance Certified	Evidence Submitted
			SCA reported no change in 2006/07.
3.7	Water Quality Planning - Water Quality Management Framework		
3.7.6	After the Water Quality Management Framework has been developed, the purpose, scope and reporting of the Water Quality Management Framework may only be amended following consultation with IPART, NSW Health, DEC and DNR.	✓	No amendments were made to the Water Quality Management Framework during the audit period.
3.7.7	The SCA must maintain, to the satisfaction of NSW Health, an incident management plan (Incident Management Plan), for the purpose of minimising the risk to human health from the Bulk Raw Water supplied by the SCA to Customers.	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.5-16.
3.7.8	The Incident Management Plan must remain in place until any new plan is developed in agreement with NSW Health and must form part of the Water Quality Management Framework.	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.5-17. SCA Reported that there was no change in 2006/07.
3.7.9	During the term of the Licence, the SCA must consult with Customers to whom it supplies Bulk Raw Water for Water Treatment and NSW Health in relation to the adequacy of the Incident Management Plan and update that plan as required..	✓	The SCA must fulfil this requirement prior to 30 June 2010.
3.7.10	The Incident Management Plan must contain, or incorporate by reference, procedures and protocols for the coordinated management of water incidents including media and stakeholder liaison and any notification of public health advice received from NSW Health to Customers..	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.5-18. SCA reported no change to its Incident Management Plan in 2006/07.
3.7.11	The Incident Management Plan must include a requirement for the SCA to advise NSW Health and the Customers to whom it supplies Bulk Raw Water for Water Treatment, if the Bulk Raw Water it supplies may be a risk to human health.	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.5-18. SCA reported no change to its Incident Management Plan in 2006/07..
4	CATCHMENT MANAGEMENT AND PROTECTION		
4.5	Provision of Information		
4.5	The SCA must use its best endeavours to publish on its website and keep up-to-date the following:	✓	Information relation to cl.4.5 (a) is published on the SCA's website: http://www.sca.nsw.gov.au/research/wqinfo.html .

Clause	Requirement	Compliance Certified	Evidence Submitted
	<p>(a) a list of information on water quality relevant to the Catchment Area collected by the SCA or other relevant persons or bodies and provide links to that information or advice on how that information can be accessed by the public;</p> <p>(b) a list of the SCA's unpublished river health data and provide advice on how that information can be accessed by the public;</p> <p>(c) each week, information on water transfers from the Shoalhaven Scheme, including:</p> <p>(i) actual and projected weekly volumes of water transferred from the Shoalhaven Scheme to Warragamba Dam or Nepean Dam; and</p> <p>(ii) cumulative week to week totals of water transferred over the course of the applicable financial year.</p>		<p>Information relation to cl.4.5 (b) is published on the SCA's website: http://www.sca.nsw.gov.au/research/riverhealth.html.</p> <p>Information relation to cl.4.5 (c) is published on the SCA's website: http://www.sca.nsw.gov.au/dams/pumping.html.</p>
5	THE ENVIRONMENT		
5.1	Environment Plan		
5.1.2	SCA must engage in Public Consultation in developing the Environment Plan.	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.7-2. SCA reported No change in 2006/07.
5.1.3	<p>The Environment Plan must:</p> <p>(a) contain details of the SCA's environmental management and programs to manage and minimise the environmental impacts from its activities, such as energy and water consumption, greenhouse emissions, waste and cultural heritage;</p> <p>(b) comply with principles of ecologically sustainable development;</p> <p>(c) be recognised in the SCA's business plans; and</p> <p>(d) incorporate environmental improvement targets and timetables for the SCA to achieve over the term of the Environment Plan.</p>	✓	<p>The SCA 2006-2010 Environment Plan is published on the SCA's website:</p> <p>http://www.sca.nsw.gov.au/publications/files/SCA20062010EnvironmentPlan.pdf.</p> <p>The environment plan is referred to in the SCA 2007-2012 Corporate Plan in relation to Goal 2 – Sustainable Catchments:</p> <p>http://www.sca.nsw.gov.au/publications/files/CorporatePlan.pdf.</p>
5.1.4	The SCA must review, and if necessary update, the Environment Plan at least once during the term of the Licence. In conducting that review, the SCA must consult with DNR, DEC, Department of Primary	✓	NA. This requirement was not due in the audit period.

Clause	Requirement	Compliance Certified	Evidence Submitted
	Industries, IPART and peak environmental non-government organisations for the purpose of considering their views and seeking their comments on whether any amendments to the Environment Plan are required.		
5.1.5	By 1 September each year, the SCA must provide information to IPART on its progress for the previous financial year in meeting the Environment Plan. The information must include the SCA's compliance with the targets and timetables in clause 5.1.3.	✓	<p>SCA Provided</p> <ol style="list-style-type: none"> 1. 2006 "September 1 Report", provided by 1 September 2006: accompanied by cover Letter to IPART dated 1/9/06 (SCA reference D2006/07166). 2. Implementation of environment plan 2006-07: Refer to 2007 September 1 reports recently provided to IPART (SCA reference D2007/05969). 3. The 1 September 2006 report is contained within the SCA's annual report and is publicly available at : http://www.sca.nsw.gov.au/publications/files/KRA5to7.pdf pp.57-58 ; and http://www.sca.nsw.gov.au/publications/files/FinancialsandAppendices.pdf pp.153-57. 4. The SCA also provided IPART with the September 2007 report (IPART reference D07/11332)
6	MANAGEMENT OF CATCHMENT INFRASTRUCTURE WORKS AND WATER CONSERVATION		
6.3	Review of the Water Supply System Yield model		
6.3.1	<p>At least once during the term of the Licence, the SCA must obtain an independent expert to review its model and procedure for calculation of the Water Supply System Yield and to test:</p> <p>(a) the robustness of the model;</p> <p>(b) the key assumptions used in the model; and</p>	✓	NA. This requirement was not due in the audit period.

Clause	Requirement	Compliance Certified	Evidence Submitted
	(c) the process for calculating the yield, including the appropriate frequency of yield calculation and the appropriateness of the trigger events in clause 6.2.4.		
6.3.2	The independent expert must advise the SCA on whether the Water Supply System Yield should be re-calculated, based on the findings of the test in clause 6.3.1.	✓	NA. This requirement was not due in the audit period.
6.3.3	During the independent expert's review under clause 6.3.1, the SCA must consult with DNR, DEC, Sydney Water Corporation and any other persons reasonably expected to have an interest in the review of the model.	✓	NA. This requirement was not due in the audit period.
6.3.4	The SCA must make the findings of the independent expert's review and its response to those findings available to the public.	✓	NA. This requirement was not due in the audit period.
6.4	Water Conservation		
6.4.1	The SCA must undertake practicable actions to conserve water and minimise water losses, which may include working collaboratively with its Customers.	✓	This information is reported in the 2007 September 1 report to IPART relating to cl.6.4.2 (a) (SCA reference D2007/05969, IPART reference D07/11332).
6.4.2	<p>The SCA must provide information to IPART, by 1 September each year for the previous financial year, on:</p> <p>(a) any demand management and supply augmentation activities undertaken by the SCA, including any obligations under any licence or approval under the Water Act 1912 or the Water Management Act 2000 and the Metropolitan Water Plan;</p> <p>(b) the water balance as per the methodology set out in the report by Sinclair Knight Merz entitled, "Sydney Catchment Authority Operating Licence – Water Balance Template (October 2005)" for the Catchment Infrastructure Works and for each of the following water supply systems:</p> <p>(i) Warragamba;</p> <p>(ii) Woronora;</p>	✓	<p>1 (a), (b) & (c). 2006 report provided by 1 September 2006: Letter to IPART dated 1/9/06 (SCA reference D2006/07166, IPART reference D06/9734).</p> <p>2 (a) & (c): Implementation of demand management and supply augmentation activities and actions undertaken to manage leakage and losses: Refer to 2007 September 1 report (SCA reference D2007/05969, IPART reference D07/11332).</p> <p>3 (a), (b) & (c). The 2006 reports are contained within the SCA's annual report or are directly available on the SCA website:</p> <p>http://www.sca.nsw.gov.au/publications/files/KRA1to2.pdf pp.28-30;</p> <p>http://www.sca.nsw.gov.au/publications/files/KRA5to7.pdf pp.57-58;</p>

Clause	Requirement	Compliance Certified	Evidence Submitted
	(iii) Blue Mountains; (iv) Shoalhaven; and (v) Upper Nepean; and (c) actions undertaken to manage leakage and losses from its Catchment Infrastructure Works, including actions and compliance with timeframes under the report prepared under clause 6.4.3, and actual expenditure on managing water leakage and loss activities and estimated water savings as a result of those activities.		http://www.sca.nsw.gov.au/data/general/files/SCAWATERBALANCE2005.pdf ; and http://www.sca.nsw.gov.au/publications/files/LeakageandLossreport2007.pdf pp.12-17 IPART has received the 2006 report – reference D06/9734
7	ASSET MANAGEMENT		
7.1	Asset management obligation		
7.1	The SCA must ensure that its Assets are managed consistent with: (a) its obligations in the Licence, and all applicable laws, policies and guidelines with which the SCA must comply, including the requirements of the NSW Dams Safety Committee; (b) the principles of the Strategic Management Framework and the Total Asset Management Policy; (c) subject to clause 7.1(a), the lowest life cycle cost and acceptable risk of the Assets; (d) the whole life of the Assets; and (e) its assessment of the risk of loss of the Assets, and capacity to respond to a potential failure or reduced performance of the Assets.	✓	The IPART Secretariat were provided with a copy of the Corporate Plan at the Audit interviews The SCA's corporate plan sets the framework for the SCA's Service Delivery Strategy, Asset Strategy, corporate support strategies, investment plans, operations and maintenance plans, disposal plans, capital expenditure program and annual work plans. The corporate plan is available at http://www.sca.nsw.gov.au/publications/files/CorporatePlan.pdf
8	CUSTOMERS		
8.1	Customer – Sydney Water Corporation		
8.1	The SCA acknowledges that it has entered into a Bulk Water Supply Agreement with Sydney Water Corporation in compliance with its	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.9-3. SCA reported that there was no change in 2006/07.

Clause	Requirement	Compliance Certified	Evidence Submitted
	obligations under section 22 of the Act.		
8.2	Customers – other than Sydney Water Corporation		
8.2.1	Subject to clause 8.2.3, the SCA must establish terms and conditions of supply which are to apply to all its Customers (other than Sydney Water Corporation) for the supply of Bulk Raw Water to those Customers. The terms and conditions of supply must include at least, the terms and conditions in clause 8.2.2.	✓	High compliance noted in the SCA Operational Audit 2005/06 p.9-3. The SCA has since finalised the agreement with Shoalhaven City Council (1 December 2006). Which contains a reference to the relevant condition identified as missing during the 2005-06 audit.
8.2.2	The terms and conditions of supply must at a minimum include: (a) the standard of the quality of the water supplied; (b) the continuity of water supplied; (c) the costs to be paid by those Customers for the supply of water to them; and (d) dispute resolution and complaint handling procedures (not inconsistent with the procedures in clause 8.3).	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.9-4. The SCA has since finalised the agreement with Shoalhaven City Council (1 December 2006). Which contains a reference to the relevant condition identified as missing during the 2005-06 audit.
8.2.3	If a Customer does not agree to the terms and conditions of supply referred to in clause 8.2.1, that Customer may request (but the SCA does not have to comply with that request) that the SCA enter into other agreements for the supply of Bulk Raw Water on such terms and conditions as may be negotiated between the SCA and that Customer, subject to those agreements complying with clause 8.2.2.	✓	NA. This requirement was not due in the audit period.
8.2.4	The SCA must advise the Customers in clause 8.2.1 and clause 8.2.3 of the potential uses for the Bulk Raw Water it supplies and of the need for Water Treatment if the water is to be used for human consumption.	✓	SCA Operational Audit 2005/06 p.9-5. The auditors identified that the agreement with Shoalhaven City Council did not include reference to this condition as required. This has since been rectified in the new agreement.
8.3	Complaints		
8.3.1	The SCA must establish internal complaints handling procedures for receiving, responding to and resolving Complaints it receives, which relate to any of its Functions, from Customers and the community.	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.9-5. SCA reported that there was no change to these procedures in 2006-07.

Clause	Requirement	Compliance Certified	Evidence Submitted
8.3.2	The internal complaints handling procedures of the SCA must be based on the Australian Standard AS4269-1995 Complaint Handling.	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.9-5. No change in 2006-07. IPART Notes the Australian Standard has changed to AS/ISO -10002-2006.
8.3.3	The SCA must make available to Customers and the community information concerning its internal complaints handling procedures which explains how to make a Complaint and how the complaints handling procedure works.	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.9-8. SCA continues to make this information available in the same way.
8.3.4	The SCA must provide information of the nature described in clause 8.3.3 to Customers at least once every two years. The SCA must also make this information available to the public free of charge.	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.9-8. New brochures have recently been printed. All 60 retail customers received the new brochures in 2007 of these twenty four customers received the new brochures in a specific mail out in August 2007. The other thirty six had received the new brochure with new agreements issued earlier in 2007.
8.3.5	The SCA must provide information, by 1 September each year for the preceding financial year, to IPART on the following details concerning complaints made against the SCA: (a) the number and types of complaints received; (b) the number and type of complaints resolved or not resolved in sufficient detail and using sufficient classifications to enable IPART to gain a reasonable understanding of how and how well those complaints were resolved or why those complaints were not resolved, as the case may be; and (c) where the SCA has received 20 or more complaints on a similar or related problem or issue, details of that problem or issue.	✓	1. 2006 report provided by 1 September 2006: Letter to IPART dated 1/9/06 (SCA reference D2006/07166, IPART reference D06/9734). 2. Implementation: Refer to 2007 September 1 report (SCA reference D2007/05969, IPART reference D07/11332). Medium compliance noted in the SCA Operational Audit 2005/06 p.9-5. The auditors identified that the 2006 complaints report was deficient in detail with regard to the resolution of complaints. This has been corrected in the 2007 report. 3. This report is contained within the SCA's annual report and is publicly available at: http://www.sca.nsw.gov.au/publications/files/KRA5to7.pdf p.52; and http://www.sca.nsw.gov.au/publications/files/FinancialsandAppendices.pdf pp.151-53.

Clause	Requirement	Compliance Certified	Evidence Submitted
8.4	Consultation		
8.4.1	The SCA must regularly engage in Consultation with Customers and the community on issues relevant to the performance of the SCA's obligations under this Licence.	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.9-9. See report provided as detailed below.
8.4.2	The SCA must, by 1 September each year for the preceding financial year, provide information on its Consultation activities under clause 8.4.1. The information provided by the SCA must include a description of: <ul style="list-style-type: none"> (a) the issues upon which the SCA consulted with the Customers and/or the community; (b) the mode of Consultation used; (c) any response made by the SCA as a result of feedback received as part of the Consultation; and (d) the number of Customers or community members consulted and a description of the organisations and interests represented (if applicable). 	✓	<p>1. 2006 report provided by 1 September 2006: Letter to IPART dated 1/9/06 (SCA reference D2006/07166).</p> <p>2. Implementation: Refer to 2007 September 1 report SCA reference D2007/05969, IPART reference D07/11332). Full compliance noted in the SCA Operational Audit 2005/06 p.9-5.</p> <p>3. The 2006 report is contained within the SCA's annual report and is publicly available at: http://www.sca.nsw.gov.au/publications/files/KRA5to7.pdf pp.49-52.</p>
9	PRICING		
9.1	Sydney Water Corporation		
9.1	The SCA must set the level of fees, charges, and other amounts payable by Sydney Water Corporation for the SCA's provision of water subject to: <ul style="list-style-type: none"> (a) the Act and any other applicable law; (b) the Licence; (c) any pricing arrangements in the Bulk Water Supply Agreement; and (d) any maximum prices and methodologies for the SCA's supply of water determined from time to time by IPART. 	✓	Full compliance noted in the SCA Operational Audit 2005/06 p.10-2. SCA reported that there has been no change since 2006/07.

Clause	Requirement	Compliance Certified	Evidence Submitted
9.2	Wingecarribee Shire Council and Shoalhaven City Council		
9.2	<p>The SCA must set the level of fees, charges, and other amounts payable by Wingecarribee Shire Council and Shoalhaven City Council for the SCA's provision of water subject to:</p> <p>(a) the Act and any other applicable law;</p> <p>(b) the Licence; and</p> <p>(c) any maximum prices and methodologies for the SCA's supply of water determined from time to time by IPART.</p>	✓	<p>Full compliance noted in the SCA Operational Audit 2005/06 p.10-2.</p> <p>SCA reported that there has been no change since 2006/07.</p>
9.3	Other customers		
9.3	<p>The SCA must set the level of fees, charges, and other amounts payable by its Customers (other than Sydney Water Corporation, Wingecarribee Shire Council and Shoalhaven City Council) for the SCA's provision of water subject to:</p> <p>(a) the Act and any other applicable law;</p> <p>(b) the Licence; and</p> <p>(c) any maximum prices and methodologies for the SCA's supply of water determined from time to time by IPART.</p>	✓	<p>Full compliance noted in the SCA Operational Audit 2005/06 p.10-2.</p> <p>SCA reported that there has been no change since 2006/07.</p>

D SCA Statement of Compliance with Operating Licence Clauses



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Tel 1300 722 468 Fax 02 4732 3666
Email info@sca.nsw.gov.au
Website www.sca.nsw.gov.au

Ref: D2007/06003
Your Ref: 07/379

Mr James Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
QUEEN VICTORIA BUILDING NSW 1230

Dear Mr Cox

I refer to your letter of 16 August 2007 regarding the Sydney Catchment Authority's (SCA's) requirement to prepare a compliance report on operating licence obligations not subject to audit in 2006-07.

Please find enclosed the SCA's 2006-07 annual compliance report. In preparing the document, the SCA has taken guidance from the assessments of compliance made by the auditors in the 2005-06 annual audit, and progress made in 2006-07.

As agreed in communications at officer level, the annual compliance report's statement of compliance has been signed by the Acting Chief Executive and the Chairman of the Board on behalf of the Board. The report will be presented to the full Board of the SCA for noting at the 28 September 2007 Board meeting.

Should you have any questions in relation to this report, I invite you to contact Alison White, A/General Manager, Policy and Governance on 4725 4700.

Yours sincerely


IAN TANNER 13/9/07
A/Chief Executive

SENDER TO KEEP
BN2615921

**Annual Compliance Report
for 2006/07**

Submitted by Sydney Catchment Authority

Statement of Compliance

To: Independent Pricing and Regulatory Tribunal of NSW (the Tribunal)
Level 2, 44 Market Street
Sydney NSW 2000

Attention: The Chief Executive Officer

Sydney Catchment Authority reports as follows:

The Annual Compliance Report documents compliance during 2006/07 with those obligations in Sydney Catchment Authority's 2006-2010 operating licence that are not subject to an operational audit. These obligations are listed by clause in Schedule A.


The Annual Compliance Report has been prepared by Sydney Catchment Authority with all due care and skill in full knowledge of the obligations to which it is subject and in compliance with the Tribunal's Monitoring and Reporting Protocol, if applicable.

Schedule B provides information on those licence obligations that were not audited with which Sydney Catchment Authority did not fully comply during 2006/07.

Other than the information provided in Schedule B, Sydney Catchment Authority has complied with all obligations to which it is subject that have not been audited.

Schedule C outlines any factors and emerging issues that may affect compliance with a licence clause in future years.

The Annual Compliance Report has been approved by the Chief Executive and the Chairman of the Board on behalf of the Board.




Signed:

Ian Tanner
Name:

Acting Chief Executive
Title:

13 September, 2007
Date:



Signed:

John Whitehouse
Name:

Chairman SCA Board
Title:

12 September 2007
Date:

Annual Compliance Report for 2006/07

Submitted by Sydney Catchment Authority

Schedule A Licence obligations for Sydney Catchment Authority not audited in 2006/07

Operating Licence Obligation	Clause	Compliance Yes/No
Water Quality		
Health-Related Water Quality Characteristics	3.2.2	Yes
	3.2.3	Yes
	3.2.4	N/A ¹
Water quality monitoring and reporting	3.6.3	Yes
	3.6.4	Yes
	3.6.6	Yes
Water Quality Planning - Water Quality Management Framework	3.7.6	N/A ¹
	3.7.7	Yes
	3.7.8	Yes
	3.7.9	N/A ¹
	3.7.10	Yes
	3.7.11	Yes
Catchment Management and Protection		
Provision of Information	4.5	Yes
The Environment		
Environment Plan	5.1.2	Yes
	5.1.3	Yes
	5.1.4	N/A ¹
	5.1.5	Yes
Management of Catchment Infrastructure works and water conservation		
Review of model	6.3	N/A ¹
Water conservation	6.4.1	Yes
	6.4.2	Yes
Asset management		
Asset management obligation	7.1	Yes
Customers		
Customer – Sydney Water Corporation	8.1	Yes
Customers - Other than Sydney Water Corporation	8.2.1	Yes
	8.2.2	Yes

¹ This requirement was not due in the audit period.

Annual Compliance Report for 2006/07

Submitted by Sydney Catchment Authority

Operating Licence Obligation	Clause	Compliance Yes/No
	8.2.3	N/A ²
	8.2.4	Yes ³
Complaints	8.3.1	Yes
	8.3.2	Yes
	8.3.3	Yes
	8.3.4	Yes
	8.3.5	Yes ⁴
Consultation	8.4.1	Yes
	8.4.2	Yes
Pricing		
Sydney Water Corporation	9.1	Yes
Wingecarribee Shire Council and Shoalhaven City Council	9.2	Yes
Complaints	9.3	Yes
What the audit is to report on		
Sydney Catchment Authority's compliance with its obligations under each Memorandum of Understanding	11.2.1(b)	
	2.3.1 Maintain MoUs	
	EPA	Yes
	NSW Health	Yes
	WAMC	Yes ⁵
	2.3.2 Co-operative relationships	
	EPA	Yes
	NSW Health	Yes
	WAMC	Yes

² This requirement was not due in the audit period.

³ In the 05-06 operating licence audit the auditors identified that the agreement with Shoalhaven City Council did not include reference to this condition as required, this has since been rectified. The condition has also been included in the draft agreement with Wingecarribee Shire Council.

⁴ In the 05-06 operating licence audit the auditors identified that the 2006 complaints report was deficient in detail with regard to the resolution of complaints. This has been corrected in the 2007 report.

⁵ In the 05-06 operating licence audit the auditors indicated that due to departmental changes that this MoU should be reviewed and updated. It is the SCA's view that this requirement and its intent is being met as the relationship continues to function effectively and the current MoU is adequate.

**Annual Compliance Report
for 2006/07**

Submitted by Sydney Catchment Authority

**Schedule B: Non-Compliances for Sydney Catchment Authority's licence
obligations not audited in 2006/07**

[Instruction: If a "no" response was provided in the compliance column for a licence clause in Schedule A, then a description of the non-compliance must be provided for that clause in Schedule B.]

Licence clause	Obligation	Description of non-compliance
N/A		<input type="checkbox"/>

**Annual Compliance Report
for 2006/07**

Submitted by Sydney Catchment Authority

Schedule C: Issues that may affect compliance in future audits

[Instruction: If a "yes" response was provided in the compliance column for a licence clause in Schedule A and there are factors or emerging issues that may affect compliance in future audits, please describe these factors or issues in Schedule C.]

Licence clause	Obligation	Description of emerging issue
N/A		