

INDEPENDENT PRICING AND REGULATORY TRIBUNAL  
PUBLIC HEARINGS INTO SYDNEY WATER'S OPERATING LICENCE

WORKSHOP PANELS

Tribunal Members

Mr James Cox  
Ms Cristina Cifuentes

Held at the Wesley Conference Centre  
220 PittStreet, Sydney NSW 2000

On Thursday, 1 April 2004, at 9.155am

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1 MR COX: My name is Jim Cox and I am a member of the  
2 tribunal. With me is Christina Cifuentes who is a  
3 part-time, at least in theory, member of the tribunal.

4  
5 The purpose of this workshop is to progress our  
6 thinking on our review of Sydney Water Corporation's  
7 operating licence. We are required to review the licence  
8 and recommend the terms of the operating licence for Sydney  
9 Water to the Minister for Energy. And, I guess, this  
10 workshop is part of our public consultation process.

11  
12 We will in this workshop cover all parts of Sydney  
13 Water's licence, except issues on demand for water - that  
14 is, demand management or water conservation. Those issues  
15 will be the subject of a subsequent workshop. What we will  
16 do this morning is have a number of sessions. They will be  
17 introduced by members of the tribunal's secretariat and in  
18 some cases some of our consultants will also participate by  
19 introducing the topic. We will then go around the table  
20 and ask the round table participants to present their views  
21 on the topic. What we will do is give each speaker about  
22 five to seven minutes on each topic and ask that they not  
23 be interrupted during this time. Then we will have some  
24 general discussion by members of the panel. If there is  
25 time, we'll take questions or comments from people sitting  
26 in the back of the group after that's been completed.

27  
28 The session is being transcribed to assist our  
29 secretariat in writing up the results of the day. To assist  
30 the transcribers in recording the discussion, I'd be  
31 grateful if you could introduce yourselves at the start of  
32 the presentation or if you are asking a question, and the  
33 transcript of the proceedings will be put on our web site  
34 by late next week.

35  
36 What I'd like to do now is just ask the people sitting  
37 at the table to briefly introduce themselves. Perhaps  
38 we'll start with Jim Wellsmore.

39  
40 MR WELLSMORE: Jim Wellsmore from the Public Interest  
41 Advocacy Centre.

42  
43 MR PRINEAS: Peter Prineas from the Nature Conservation  
44 Council.

45  
46 MR MARTIN: Leigh Martin from the Total Environment  
47 Centre.

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1  
2 MS MAHONEY: Julianne Mahoney from IPART.

3  
4 MS TSOUKATOS: Angela Tsoukatos from Sydney Water.

5  
6 MR EVANS: David Evans from Sydney Water.

7  
8 MR GILBERT: Tim Gilbert from the Department of  
9 Environment Conservation.

10  
11 MR VHORA: Salim Vhora from the Department of  
12 Infrastructure, Planning & Natural Resources.

13  
14 MR BYLEVELD: Paul Byleveld from New South Wales Health.

15  
16 MR COX: Thank you very much. As I understand, members of  
17 the panel are going to change for the day. When we have  
18 new panel members, there will be further introductions. I  
19 will hand over to Colin Reid who is going to present  
20 generally on the structure for the day.

21  
22 INTRODUCTION

23  
24 MR REID: Thanks very much, Jim. As Jim has indicated,  
25 this workshop is aimed at assisting the tribunal to make  
26 recommendations to the minister on the renewal of Sydney  
27 Water Corporation's operating licence. First of all, I  
28 wish to cover the tribunal's process in coming up with  
29 those recommendations, the agenda for today and also some  
30 background information on the existing licence.

31  
32 The end of term review process. As you would be  
33 aware, we released an issues paper on the operating  
34 licences for both Sydney Water and Sydney Catchment  
35 Authority in October last year. The matters raised in that  
36 paper as related to Sydney Water will be the subject for  
37 this workshop today. We released a second issues paper in  
38 January of this year, which related to questions of demand  
39 and supply balance. As Jim indicated, those particular  
40 aspects have been deferred.

41  
42 So we are here today on 1 April to look at in this  
43 particular workshop Sydney's operating licence.  
44 In late 2004 we'll then have a further workshop to consider  
45 the demand and supply balance issues specifically. In  
46 early 2005 it is the intention to hold a second workshop to  
47 cover the non-demand supply matters relating to Sydney

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1 Catchment Authority's operating licence.

3 The reason for the deferral, I suppose, of the demand  
4 and supply balance issues related to that deferral, we'll  
5 obviously extend the timeframe for submissions and we'll  
6 inform people of the detail of that as we proceed. Sydney  
7 Water and Sydney Catchment Authority in relation to that  
8 have undertaken some joint research on community views,  
9 sustainable water resources, attitudes to restrictions and  
10 various other matters. The results of that research are  
11 currently available from the tribunal's web site.

13 Sydney Catchment Authority's licence. Those  
14 submissions that have been received will be carried over  
15 and any supplementary submissions that people wish to make  
16 will be accepted at a later date.

18 So as far as today's agenda is concerned, this current  
19 session is an introduction, we'll then have a session on  
20 the role of the licence, further proceeding then to water  
21 quality, customer service, infrastructure performance,  
22 environmental issues and any other matters that are  
23 relevant to this current review of Sydney Water's licence.

25 A brief history of Sydney Water's operating licence.  
26 The initial licence was established in 1995 at the  
27 corporatisation of Sydney Water. Then, when the catchment  
28 authority was broken away from Sydney Water there was an  
29 interim licence in place on 1 July to 31 December 1999.  
30 The existing licence expires on 31 December this year.

32 There was a question, given those uncertainties over  
33 some of those demand and supply issues, as to whether we  
34 will roll over that existing licence for a short period,  
35 but the matters that have happened, if you like, since the  
36 creation of this current licence are that the system  
37 performance standards in that licence were reviewed in  
38 2001. The customer contract was amended in 2002 and we  
39 also held the mid-term review in 2002. So they are the  
40 events that have preceded this end of term review.

42 With that having been said, I will now refer back to  
43 Jim who will introduce the first session.

45 MR COX: Thank you very much. The next session is on the  
46 role of the operating licence. It is a presentation from  
47 the secretariat on that. We'll proceed with that. I will

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1 introduce Julianne Mahoney, a lawyer in our office.

## 2 3ROLE OF OPERATING LICENCE

4  
5 MS MAHONEY: This session explores the role of the  
6 Operating licence. I will do this by looking at three  
7 things. I will give some background and look at what was  
8 the social policy context that influenced the development  
9 of the current regulatory framework for Sydney Water, I  
10 will then look at what the purpose and the role of the  
11 operating licence as a regulatory instrument and then I  
12 will go on to consider the McClellan inquiry and the key  
13 recommendations and findings in respect to the operating  
14 licence being an effective accountability mechanism. I  
15 will look at this, because it provides the policy context  
16 which has developed the current model of the operating  
17 licence. The purpose of this session is basically to  
18 generate discussion and receive your views on whether the  
19 correct operating licence is sound in its scope and  
20 framework.

22 How the regulatory framework was developed for Sydney  
23 Water was influenced by the social policy reform agenda for  
24 mid 1990. That was basically national competition  
25 policy. The national competition policy, as we know,  
26 established principles of pro-competition and reform for  
27 government business enterprises. It questioned whether the  
28 old institutional structures for government monopolies are  
29 achieving the best outcomes for the community. The  
30 criticism was that the old structure of the water board,  
31 which was a blend of operator and regulator functions,  
32 inhibited performance, lacked clarity of purpose and led to  
33 conflicts of interest. National competition policy was  
34 basically influential in establishing two major  
35 micro-economic reforms for all urban water industry. The  
36 role of the operator and regulator were separated out and  
37 we have a commercial framework for operators through  
38 corporatisation.

40 The argument was that these reforms would bring about  
41 a clearer regulatory framework and improve accountability.  
42 In defining operator and regulator, what emerges is a model  
43 whereby the government and regulator agencies have a clear  
44 public policy responsibility and role for determining the  
45 outcomes the community wants from its water, sewerage and  
46 stormwater systems. Operating agencies like Sydney Water  
47 have a clear responsibility of undertaking day-to-day

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1 operations to achieve these outcomes.  
2  
3 In separating out these functions, what has occurred  
4 is a range of government agencies with particular expertise  
5 now have a public policy and regulatory responsibilities in  
6 respect to setting health and environmental standards for  
7 the provision of Sydney Water services, or monitoring  
8 compliance and enforcement. The institutional arrangements  
9 and regulatory responsibility for Sydney Water is set out  
10 above in the table.  
11  
12 Basically, as we know, IPART is a licensed regulator.  
13 It audits and reviews the operating licence, it makes  
14 recommendations to the minister in respect to Sydney  
15 Water's performance under the licence, it makes  
16 recommendations in respect to conditions of the licence in  
17 terms of imposing, cancelling or amending conditions -  
18 that's what we're here today to discuss - and it also  
19 recommends and penalties.  
20  
21 The Department of Health sets standards for water  
22 quality. The Department of Environment and Conservation  
23 has a regulatory role in what Sydney Water puts into the  
24 environment and the Department of Infrastructure Planning  
25 and Natural Resources is responsible for natural resource  
26 water management planning issues and issuing licences for  
27 access and use to water. So that's the role of the regulator.  
28  
29 What about the role of the operator (Sydney Water)?  
30 Well, basically, the Sydney Water Act defines the role of  
31 Sydney Water and it implements the reform, as I mentioned  
32 earlier, of the commercial framework of operators, because  
33 it is clear that Sydney Water is a State-owned corporation.  
34 The Act specifies Sydney Water has three actual equal  
35 principles:  
36 to protect the environment, to protect public health and to  
37 be a successful business. That also establishes the key  
38 elements of the regulatory framework that is to be applied  
39 to Sydney Water - that is, an operating licence which is  
40 basically a regulatory mechanism on monopoly power. It  
41 sets out the operating and customer standards to be met by  
42 the corporation. You have the licence regulator to monitor  
43 compliance with the conditions of the operating licence and  
44 you have the MoUs to spell out the relationship with the  
45 primary regulator.  
46 The purpose of the licence. If the licence is to  
47 reflect the public's expectations of Sydney Water's

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1 performance, then the purpose of the operating licence may  
2 be stated as to ensure that the standards are maintained  
3 within Sydney Water's area of operation in order to protect  
4 the public health, protect the environment, protect  
5 consumers and ensure the effective functioning of systems.  
6  
7 Its role as a regulatory instrument is to enable  
8 Sydney Water to fulfil its statutory obligations. It does  
9 this by setting out the terms and conditions under which  
10 the corporation will operate. It facilitates the  
11 accountability of Sydney Water's performance to government,  
12 customers and to parliament. It sets quality and  
13 performance standards, because as a monopoly business there  
14 is no choice but for consumers or customers to move to  
15 another service provider if the service falls below the  
16 acceptable level. It also fosters compliance through  
17 ongoing monitoring, auditing and enforcement of Sydney  
18 Water's performance with their regulatory obligations.  
19  
20 Basically, the contamination of Sydney Water supply  
21 raised a number of issues of whether the regulatory  
22 framework was effective. The Sydney Water inquiry  
23 identified a number of problems with the regulatory  
24 framework in terms of accountability. McClellan found  
25 there was insufficient accountability in the process of  
26 developing the terms of the operating licence, there was a  
27 weakness in auditing, there was out-dated water quality and  
28 there was a need for an independent review of whether the  
29 standards were relevant and met community expectations.  
30  
31 McClellan was also quite critical of the MoUs. He  
32 said they weren't an effective regulatory mechanism,  
33 particularly when unsupported by clear powers in Sydney  
34 Water's own legislation, they were unenforceable and they  
35 were relying on cooperation of the agencies involved for  
36 their implementation. The Sydney Water Act provided little  
37 guidance on the content of the MoUs and no requirement for  
38 them to include time lines, targets or review provisions.  
39  
40 McClellan made a number of recommendations. Apart  
41 from the key recommendation that the catchment management  
42 services provisions be separated out, he made a number of  
43 recommendations in respect to improving public  
44 accountability of the performance of Sydney Water. He saw  
45 that there was a need for an enhanced role for the licensed  
46 regulator and the role of regulator was to review and  
47 develop licence terms and to investigate and audit any

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1 matters concerning performance.

2  
3 He also was quite clear that the operating licence  
4 should clearly set out Sydney Water's obligations in terms  
5 of customer operating and health outcomes, actions to be  
6 taken and sanctions to be applied if obligations are not  
7 met. It should also clearly set out the audit and review  
8 provisions and performance standards. And that the  
operating  
9 licence give weight and backing to the MoUs by  
10 setting targets, time lines and review provisions for the  
11 MoUs.

12  
13 Basically, in conclusion, the McClellan  
14 recommendations inform the model that we have today. The  
15 framework reflects requirements in the Sydney Water Act,  
16 which has been outlined in materials that we sent, and it  
17 also reflects provisions of the IPART Act, which confers  
18 the function of the independent water auditor on the  
19 tribunal. It is basically a model that seeks to provide  
20 sufficient accountability of Sydney Water's performance and  
21 clarity on Sydney Water's responsibilities.

22  
23 The issue for the tribunal in undertaking this review  
24 is whether the role and the scope of the current operating  
25 licence is relevant to Sydney Water, but also meets  
26 community expectations. So, on that, I'd like to open it  
27 up for discussion.

28  
29 MR COX: Thank you very much. We'll now take some  
30 comments from people sitting around the table. I think, as  
31 Julianne said, the key issues are what parts the operating  
32 licence play in the Sydney Water regulatory framework and  
33 has this changed from the time of the last review we have  
34 done. I might start off with Jim Wellsmore.

35  
36 MR WELLSMORE: Thanks, Jim. There's probably not very  
37 much I can really add to our written submission.  
38 Essentially, from our point of view, the role of the  
39 licence, certainly as it is currently designed, is very  
40 much about community confidence and I guess along with that  
41 some measure of transparency about the way that Sydney  
42 Water operates, which is not necessarily to suggest that  
43 there's enormous problems within Sydney Water, whether it's  
44 somehow, you know, acting sort of contrary to the public  
45 interest.

46  
47 From our perspective it's only a short time, really,

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1 since '98, since McClellan, and we believe that the  
2 community still has an expectation that there is some level  
3 of public accountability and some level of transparency  
4 about the sorts of standards, (a), that Sydney Water is  
5 held to, and, (b), the way in which they actually report  
6 their compliance and their performance.

7  
8 So from our perspective the licence currently is  
9 consistent with the requirements under the Act. It's  
10 broadly consistent with the findings of the McClellan  
11 inquiry. We wouldn't like to see too much change from  
12 what's currently there. Although, having said that, there  
13 is probably some scope for some greater consistency, I  
14 guess, in relation to some of the performance indicators,  
15 and so on, between the Sydney Water and the Hunter Water  
16 operating licences, but that's probably more sort of an  
17 evolutionary thing, I think.

18  
19 We also are very conscious of the burden that  
20 Sydney Water has in terms of reporting not just to IPART  
21 and through IPART to the community, but also to other  
22 agencies. Again, I just go back to the issue about  
23 transparency. IPART has a role, a mechanism, for public  
24 reporting and that's not necessarily something which the  
25 other agencies have. So even if, for example, Sydney Water  
26 was to make a report to the Department of Health or the  
27 Department of Environment and basically photocopy that same  
28 report and give it to IPART, it is sort of fulfilling its  
29 obligations to report performance under the licence  
30 conditions.

31  
32 From our perspective, from the point of view of the  
33 community, the end users, the stakeholders, would feel more  
34 confident if that actually was provided at some level of  
35 disclosure, some level of reporting in a public way, which  
36 would underpin the sort of confidence that the community  
37 needs to have in Sydney Water.

38  
39 From our perspective, retaining reporting requirements  
40 or the requirements of Sydney Water to report around the  
41 difficult areas of the country and lay down a licence, we  
42 think is still important. Whether or not Sydney Water want  
43 to go off and produce another half a dozen pages or a  
44 50-page glossy report is a different question. We'd be  
45 happy to perhaps see that sort of burden reduced.

46  
47 But certainly at this stage our view is that the

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1 environmental and, particularly from our view, the social  
2 measures in the operating licence, is very important for  
3 community confidence.

4  
5 MR COX: Thank you very much. Next is Peter Prineas.

6  
7 MR PRINEAS: Speaking for the Nature Conservation Council,  
8 we do have some concerns about the effectiveness of the  
9 licence, not so much with anything to do with the way it is  
10 drafted or structured but really to do with the acceptance  
11 of the regime. We made comment in our submission about  
12 Sydney Water's submission and its wish to more or less buck  
13 the licence or certain requirements of it in regard to  
14 reporting and auditing which we see as vital. There is  
15 this consistent refrain about the operating licence being a  
16 duplication of other regulators' regulations, which we do  
17 not accept, but which comes up regularly, not only from  
18 Sydney Water but also from the other regulated agencies.

19  
20 There is a question mark about how committed the  
21 regulated agencies are to this regime. There seems to be  
22 also, if I can get to another point, some confusion  
23 creeping into the picture in that the materials from IPART  
24 and the presentation mentions "monopoly" several times in  
25 relation to Sydney Water. I do not believe that there is  
26 anything legal in the framework that gives Sydney Water a  
27 monopoly. The operating licence, the last time I read it,  
28 wasn't framed in those terms. It didn't pretend that  
29 Sydney Water had a monopoly.

30  
31 I have just had a quick look at it again and I notice  
32 that at 4.2 of the licence it confirms that the licence  
33 does not prohibit another person from providing services in  
34 the area of operations that are the same or similar to the  
35 services if the person is lawfully entitled to do so, so  
36 the licence does not set up any prohibition, and I am not  
37 aware, perhaps somebody can enlighten me about that, there  
38 may have been a change in the legislation that I am not  
39 aware of but I did not think there was.

40  
41 I would be concerned about this idea creeping into the  
42 picture because really we want for the environment the most  
43 efficient outcomes and we want some kind of rational  
44 competition framework that ensures those outcomes and we  
45 don't want any interpretations or confusions creeping into  
46 the picture that undermine that objective.

47

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1 There was some mention of penalties and sanctions.  
2 Correct me if I am wrong, but I don't think there has ever  
3 been a penalty imposed under the licence, even though there  
4 is provision for them, and that is over 10 years. One  
5 wonders if that is really an effective provision therefore  
6 given that there have been many instances where compliance  
7 has not been achieved and in relation to the demand  
8 management targets that is a big failure, and a failure  
9 over several years and repeated, so one wonders whether the  
10 penalty provisions are really the way to go and whether the  
11 licence realistically ought to find some other way of  
12 ensuring performance because penalties are obviously not  
13 being realistically pursued.

14  
15 I notice that in the last operating licence audit,  
16 this is getting a bit out of the environmental area, there  
17 was some question about a dispute relating to the  
18 definition of complaints. This is unfortunate in my view  
19 because I recall that that was a major issue in the first  
20 operating licence audit 10 years ago, so we are still  
21 arguing about issues that are raised 10 years ago, basic  
22 issues like definitions of complaints. Perhaps these  
23 things are just never solved or resolved but I would have  
24 thought a definition in 10 years might have been an issue  
25 that could have been resolved, even if the complaint  
26 couldn't be.

27  
28 Those are some of the comments that I feel I need to  
29 make. I will leave it at that because there are other  
30 opportunities to speak about other matters.

31  
32 MR MARTIN: I find that Peter and Jim have covered a lot  
33 of the ground that I wanted to talk about. I guess from  
34 TEC's point of view we have a fair degree of confidence in  
35 the current operating licence model, notwithstanding that  
36 it recognises all those opportunities for improvement, but  
37 the actual current role of the licence and the model that  
38 creates essentially a simple and transparent mechanism for  
39 ensuring that the corporation's operations are publicly  
40 accountable is one we think that ought to be retained.

41  
42 It is very important that the operating licence  
43 continue to be a very broad and overarching instrument that  
44 essentially captures all of Sydney Water's activities and  
45 very importantly provides a very strong mechanism for the  
46 tribunal as licence regulator to conduct a thorough audit  
47 of the corporation's activities and ensure that everything

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1 can be captured by that licence.  
2  
3 McClellan's recommendations clearly showed the need  
4 for that sort of model. It is a concern that we have had  
5 in in-end-of-term reviews and also in mid-term reviews that  
6 a number of submissions from the regulatory agencies, most  
7 particularly Sydney Water, have essentially sought to wind  
8 back some of those provisions in the licence, as Peter  
9 discussed, the issues under dual regulation. We don't  
10 necessarily see that as being the case. The operating  
11 licence does not have to require the tribunal to replicate  
12 activities of other agencies but I think it is important  
13 that the tribunal has a role in reviewing the performance  
14 of Sydney Water's obligations. Without that, it becomes  
15 very hard for community organisations such as environment  
16 groups to get a good handle on the corporation's  
17 performance in particular.  
18  
19 It is useful having a single document that sets out  
20 the corporation's obligations. It is very useful to have a  
21 single operational audit document that allows us to get a  
22 comprehensive picture of how the corporation has performed.  
23 If we start placing parts of the current licence in other  
24 instruments, that becomes much harder for community groups,  
25 environment groups, et cetera, to review.  
26  
27 What I am concerned is that we could go down the way  
28 of having a shell licence which essentially assigns  
29 responsibilities to other agencies. That would be a much  
30 weaker instrument than the one we have now and it would  
31 make life a lot more difficult for community organisations  
32 and non government organisations, et cetera, to carry out  
33 the role that we carry out now, which is essentially  
34 providing an independent voice, a voice from our side of  
35 the issues. It allows us to put our perspective in a very  
36 succinct, comprehensive manner. Anything that makes our  
37 job harder will reduce our effectiveness.  
38  
39 The current model is very helpful to us and I think it  
40 is useful to the community and I think it is crucial that  
41 the corporation continue to be regulated in its current  
42 role, recognising that there is always room for  
43 improvement, but I would be very concerned if for the sake  
44 of reform the operating licence jettisoned some of the  
45 reforms introduced after the McClellan inquiry.  
46  
47 MR EVANS: I will make some general observations on Sydney

1 Water's behalf and then, as Peter and others have mentioned  
2 a number of these matters merge in the balance of the day's  
3 agenda, I will not try to go through everything.  
4  
5 Some big picture issues are worth drawing out and we  
6 can build on the introductory comments of Julieanne. I  
7 suppose there are a few contextual things I think need to  
8 be made clear.  
9  
10 First of all, Sydney Water welcomes the regulatory  
11 framework that exists. It is often forgotten that the  
12 organisation existed for 105 years without one and was  
13 actually quite instrumental in trying to create something  
14 that was more transparent, achieved a lot of the objectives  
15 that people have already mentioned as being desirable, and  
16 I think we should all recognise that we are on a voyage of  
17 continuous improvement here and that what we have got to do  
18 is make sure that the progress that was started a decade or  
19 more ago is continued, but we remain flexible enough to  
20 make sure we adjust what we are doing in a creative way.  
21  
22 In judging that, we have to remember that we are  
23 representing, or servicing, 4m people. Despite the fact we  
24 all agree with competition policy, et cetera, and there is  
25 no barrier to entry, there is effectively for many people a  
26 monopoly relationship because the average person can't go  
27 down the street and get their water from someone else. And  
28 we all know there are profound implications back to the  
29 community in a variety of ways, environmental regulations  
30 in terms of implications in terms of how you extract water  
31 and environmental implications on how you dispose of the  
32 waste water on behalf of the community.  
33  
34 What we also have to remember is that there are a lot  
35 of other resources that are being used. Yes, we use water, but  
36 we also use \$20 billion worth of community assets in other  
37 senses. We have a \$500m annual capital program. There is  
38 an operating budget that is in excess of that, so there are  
39 lots of resources that are being used here and at the end  
40 of the day we have to remember they are not Sydney Water's  
41 resources, they are community resources and as such in the  
42 ultimate they have other potential uses and therefore we  
43 all have a social obligation to get the right balance of  
44 how those resources are allocated.  
45  
46 The process is evolving and I think we have to do the  
47 learning by doing and making sure we get the right social

1 cost benefit into the content of the licence from  
2 everyone's point of view. There is clearly a trade-off  
3 there between, if you like, very precise specification in a  
4 licence of everything an organisation may do and what is  
5 called the more light-handed approach. I think in New  
6 South Wales we are somewhere in that spectrum now compared  
7 to a lot of other jurisdictions. In fact, we have quite a  
8 complex and highly specified set of requirements. We have  
9 to be careful, in adding to those set of requirements, that  
10 we don't place the regulators in a position where they have  
11 to second-guess every decision or every activity of Sydney  
12 Water and you do not place Sydney Water in a situation  
13 where it becomes completely passive and just says, "we will  
14 do whatever a licence or a regulatory set of activities  
15 tells us to do".

16  
17 My own view is that if you go that far, you end up  
18 actually in the long run going backwards because you have  
19 an organisation that is not proactive, isn't thinking its  
20 way through its own customer interface and environmental  
21 interface, et cetera. There are lots of examples in  
22 international history of societies or institutions that get  
23 into that sort of passive mode not being successful for  
24 their community in the long run, so there is a bit of  
25 philosophy in that but I think we have to get this right  
26 balance.

27  
28 What is the right balance between black letter and  
29 light-handed regulation? It is hard to be precise about  
30 that. Considered judgments have to be made in the light of the  
31 cost benefits in each case and we have to be mindful of the  
32 role that other regulatory or appeal mechanisms have, EWON,  
33 for example, IPART itself, things that weren't in existence  
34 when the original licence was conceived. IPART was in  
35 existence in another form but had a far narrower brief than  
36 it has now, I think.

37  
38 From our point of view we welcome the evolutions that  
39 have been described by Julieanne and particularly the  
40 provision of a sort of overarching role for IPART because  
41 that enables some reconciliation of some pricing and some  
42 standard setting and some auditing functions and opens the  
43 door for greatly enhanced efficiency I think.

44  
45 I guess some of the directions that might be trod will  
46 be talked about later today, that in this role IPART has it  
47 needs to receive what I call verifiably accurate

1 information about a number of things that are going on in  
2 the organisation. Take, for example, some customer service  
3 or environmental issues. There is always a choice as to  
4 whether to regulate them absolutely in a black letter sense  
5 or to gather verifiable information about them so that  
6 trends and performance are on the public record, can be  
7 scrutinised and taken into account on whether to elevate or  
8 fix them in some part of the regulatory regime.

9  
10 There is a force of history where you can create a  
11 sequence of events where if some things are not in the  
12 black letter component of a licence but are in need of  
13 social scrutiny they can be required to be measured and  
14 reported on but not necessarily made a black letter  
15 accountability device, then over time trends can be  
16 examined and the arguments can be had about how the social  
17 accountability is best introduced. That principle is  
18 important in the situation where IPART is doing not only  
19 operating licence regulation but also price regulation,  
20 operating licence content and auditing.

21  
22 When we come later to talk about asset management,  
23 risk management issues, et cetera, I think a case can be  
24 made for ensuring that we do some creative and thorough  
25 work on asset management issues because they are really  
26 important in driving costs to the community, environmental  
27 outcomes, social outcomes, et cetera, but we do them in  
28 light of all three of IPART's roles rather than simply an  
29 annual focus through an operating licence or an operating  
30 licence audit.

31  
32 In conclusion, we support the basic structure. We  
33 support complementing it as necessary by initiatives but we  
34 believe we ought to be very thoughtful about what we add,  
35 and we also believe you need to be objective about  
36 understanding how things have evolved, where the objectives  
37 are things that are in the licence now could best be met by  
38 other means, and it is that sort of thing we need to  
39 discuss as the day goes on. Thank you.

40  
41  
42 MR GILBERT: Firstly, I would like to tender apologies  
43 from Simon Smith, the department's Deputy Director-General,  
44 and Joe Woodward, the Executive Director of Operations, who  
45 were both called away at the last moment.

46  
47 I would like to start by outlining the department's

1 interest firstly in the operating licence and then briefly  
2 outline what we consider to be the role of the operating  
3 licence. The department has a statutory objective, amongst  
4 other things, to protect and enhance the environment having  
5 regard to the need for principles of ecological sustainable  
6 development. We see the operating licence as a mechanism  
7 for helping us to fulfil those objectives in complementing  
8 our role in monitoring the environment of the sewerage  
9 management system.

10  
11 As pointed out in Sydney Water's submission to IPART,  
12 there are a number of acts that set the regulatory  
13 framework for the environmental performance of Sydney  
14 Water's operations, including the Sydney Water Act, the  
15 Protection of the Environment Administration Act, the  
16 Protection of the Environment Operations Act and IPART's  
17 own act. All these acts highlight the importance of  
18 environment protection and the need for sustainable  
19 development.

20  
21 In particular, section 21 of the Sydney Water Act sets  
22 out its objectives, which includes protecting the  
23 environment as well as to operate as a successful business  
24 and ensure public health, and section 22 requires Sydney  
25 Water to comply with principles of ecological sustainable  
26 development. The IPART Act also requires the tribunal to  
27 have regard to the need to maintain ecological sustainable  
28 development and to consider demand management and least  
29 cost planning as well as addressing social impacts. The  
30 point of that is just to point out that there is a clear  
31 intersection between our department's objectives, Sydney  
32 Water's statutory objectives and the considerations which  
33 IPART needs to consider for the environment and ecological  
34 sustainability in setting the operating licence.

35  
36 This operating licence has been set in a context of  
37 quite significant change. Recent ongoing developments  
38 include the Hawkesbury Nepean Management Forum  
39 reporting on  
40 flows necessary to restore river health and also the expert  
41 water panel report which will advise the Government on  
42 ecological sustainability. All this is against a backdrop  
43 of rising population in the Sydney Basin of around 50,000  
44 per year, a period of long drought across the entire state  
45 and also the issue of considerations of flow in the  
46 Hawkesbury Nepean.

47 The department sees the operating licence as basically

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1 being an instrument that provides the intersection in  
2 practice between our objectives, Sydney Water's objectives  
3 and IPART's role. Therefore we are obviously keenly  
4 interested in the results of this review of the operating  
5 licence.

6  
7 We think that the role of the operating licence should  
8 be to specify the detail of actions or performance levels  
9 that are required to give effect to those broader  
10 objectives of the statutory framework. We recognise,  
11 though, that the operating licence does need to complement  
12 other regulatory frameworks and also non government  
13 initiatives as well.

14  
15 We recognise that the operating licence covers a range  
16 of needs and issues such as customer rights and drinking  
17 water standards, but from a pure environment and  
18 sustainability perspective we consider the operating  
19 licence needs to do several things. Firstly, it needs to  
20 set a framework for managing a scarce resource. We  
21 acknowledge that that will be dealt with by the second  
22 issues paper. We think the operating licence needs to set  
23 a framework for asset management. It needs to do this to  
24 manage the risk of failure of assets that could result in  
25 quite significant environmental impacts.

26  
27 We think that the asset management framework also  
28 needs to enable appropriate funding allocation decisions,  
29 so it needs to be linked to the price path process, and  
30 also a key role for an asset management framework would  
31 be  
32 to prevent hidden build-up of asset deterioration over time  
33 that can lead to significant environmental issues.

34  
35 Thirdly, we think that the operating licence needs to  
36 regulate the broad environmental and sustainability  
37 performance of Sydney Water's business in areas such as  
38 water supply, energy consumption, greenhouse emissions and  
39 waste management.

40  
41 In conclusion, the department considers that an  
42 operating licence that includes these elements would  
43 complement our more detailed regulation of the  
44 environmental performance of the sewerage treatment systems  
45 under the Protection of the Environment Operations Act and  
46 would assist both Sydney Water to achieve its statutory  
47 objectives and IPART in its obligation to have regard to  
the principles of sustainability.

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1  
2 MR COX: Thank you very much. Next we have Salim Vhora  
3 from DIPNR.

4  
5 MR VHORA: Thank you. There are some things that I wanted  
6 to say which have already been said, so I will just make a  
7 few points. We need to ask why an operating licence is  
8 required because the legislation is quite distinctive and  
9 points out most of the things which are included in the  
10 operating licence. The answer lies within the IPART  
11 discussion paper. I think it is really clear and we should  
12 look at that definition and try to answer the question we  
13 are seeking, which is what is the role of the operating  
14 licence and the scope.

15  
16 The definition there is that the operating licence  
17 sets out legal and enforceable minimum standards and other  
18 requirements, and I will extend that, having this minimum  
19 standard for which this requirement could be audited or  
20 could be measured against so we could actually assess  
21 Sydney Water's performance, so if we look at that criteria  
22 for the operating licence I think we could go back to look  
23 at why the licence is required, what are the parameters we  
24 need to assess its performance against, and in our  
25 submission we mention that when the licence was written  
26 four years ago it was in a different context, and David  
27 mentioned that, that things have evolved.

28  
29 Our understanding of the regulatory framework of  
30 public utilities has significantly improved. All that has  
31 changed. IPART's role has a bit more than it had before.  
32 Understanding the need to have a "neighbour" approach to  
33 water management has definitely been highlighted in recent  
34 times, so our submission is that IPART made a very clear  
35 statement saying, this is a review of the existing licence,  
36 and our submission goes beyond that.

37  
38 We say that we need to sit down, take a step back and  
39 see what are the needs, what are the things we need to  
40 consider. It is a complex regulatory framework in tandem  
41 with SCA, in tandem with what is happening in the agencies,  
42 with what is happening with recent understanding, so we are  
43 saying, look, we probably need to - and this could be a  
44 desk top exercise, I am not saying everything needs to be  
45 done in a public arena - look at that and identify this  
46 approach. I think it is doable.

47

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1 The second thing I want to say is that the objectives  
2 of Sydney Water in its Act itself talks about being a  
3 successful business along with certain environmental  
4 requirements. There is definitely a conflict here, and I  
5 will seek further input from David, as I am saying we need  
6 to define what are those business objectives because you  
7 can't have a really open successful business objective at  
8 the same time as having an environmental outcome. They are  
9 in conflict and I am sure there could be a better  
10 definition which could define the business aspects of  
11 regulation in the operating licence.

12  
13 We agree that there should not be a duplication of  
14 regulatory requirements of different agencies or the act  
15 itself. I can give you one example, that it is still  
16 doable by not merely repeating what other agencies require,  
17 like what SWC would require with the STS licences for an  
18 operating licence. For example, what we have done, we have  
19 a Botany management licence with Sydney Water which  
20 authorises the use of the water in the Botany wetlands.

21  
22 The licence was drafted in 2000. We realised that the  
23 licence currently authorises the use of the weirs  
24 and dams in the wetlands for its purposes, reticulation, et  
25 cetera, that there was no water extraction, but there was a  
26 requirement to licence that and we did that. But, in doing  
27 that, the act required us to put conditions which assessed  
28 the impact of the works on the downstream ecology. We  
29 realised that Sydney Water at that time already had a plan  
30 looking at the Botany wetlands, so what we did, instead of  
31 putting or drafting conditions, we drafted a condition  
32 which says, Sydney Water to provide a report on the works  
33 done in Botany and we will extract the information that is  
34 required for meeting our licence objective.

35  
36 Similarly, the water management licence for SCA does  
37 not repeat the water quality requirements required by our  
38 act or our licence but it requires SCA to report to or  
39 provide a copy of all the monitoring they do under their  
40 operating licence and again we extract, we review and get  
41 the information we require. It is the other way round in a  
42 sense but it is doable, I agree it is not duplicating but  
43 we still want to maintain, Leigh made that point, that it  
44 is important, some of the licence needs to have enough  
45 provisions in them for public performance and compliance.

46  
47 MR COX: Next, Paul Byleveld from the Department of

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1 Health.

2  
3 MR BYLEVELD: NSW Health considers that the existing  
4 operating licence has as its objective in terms protecting  
5 public health. In general terms the review of the  
6 operating licence provides us an opportunity to look at how  
7 our activities may be better integrated with those of  
8 IPART. Each year we commission an independent audit of  
9 Sydney Water in terms of its performance with water  
10 quality. We also provide input into the operational audit  
11 of Sydney Water which is commissioned by IPART.

12  
13 One of our recommendations is that these audits  
14 somehow be combined so our review of water quality forms  
15 part of the review of the operating licence or the  
16 operational audit of Sydney Water Corporation. Our chief  
17 health officer has recommended that those matters of the  
18 operating licence relating to public health be referred to  
19 him for endorsement before a final report is published.

20  
21 At this point that is probably all I have to say.  
22 There will be more to follow on water quality issues.

23  
24 MR COX: Thank you very much. We will now take further  
25 comments from members of the panel. If you want to respond  
26 to anything or make some further observations, now is the  
27 time to do it.

28  
29 MR PRINEAS: The rationale for having this licence was  
30 justified in the context of this idea that Sydney Water is  
31 a monopoly business. In fact, just for historical  
32 accuracy, I thought it had to do with the fact that Sydney  
33 Water was corporatised, it was therefore removed from  
34 day-to-day government supervision and in return for that  
35 freedom it had to submit itself to an operating licence  
36 which gave the community and the rest of government some  
37 idea of what it was doing and what standards it had to  
38 meet. It didn't have anything to do with Sydney Water  
39 being a monopoly. I just make that point.

40  
41 MS TSOUKATOS: I would just like to add one point. Our  
42 position on eliminating duplication in the operating  
43 licence is driven by a desire to ensure that the  
44 organisation receives clear signals about performance, not  
45 so much wanting a "shell" as has been suggested. We  
46 understand the all encompassing role that IPART has but you  
47 have to think, if you don't have regulatory clarity, what

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1 impact that has on the organisation and the employees and  
2 the outcomes that it delivers. It is driven by that, to  
3 ensure that there are clear and consistent messages given  
4 to the people who work in the organisation.

5  
6 Julieanne also asked about whether we think that there  
7 are any amendments required given that, and some of the  
8 other speakers have touched on that, and that is around  
9 reporting - Jim touched on that issue - that the licence  
10 imposes a need for a number of reports, and we think there  
11 is opportunity to streamline through the Annual  
12 Report Act and we will talk a bit more about that during  
13 the day, and we think there are opportunities for  
14 streamlining around auditing to ensure that the auditor is  
15 focused on the things that are posing the greatest risk at  
16 any given time. I just wanted to add those comments.

17  
18 MR COX: Thank you. Further comments? It is probably now  
19 time for a couple of questions from people sitting in the  
20 back of the room? if not, Julieanne, anything you want to  
21 say by way of response.

22  
23 MS MAHONY: I would like to clarify, the issue about  
24 monopoly and the use of the term. The  
25 issue is that Sydney Water is basically a monopoly service  
26 provider and that has been declared under section 4 of the  
27 IPART Act, so that is why we use that term.

28 MR COX: A chance for final comments?

29  
30 MR WOOD: Walter Wood. I am known as an activist  
31 sometimes. It is section 15 of the act that is referred to  
32 and I have always thought it was a conflict in the act. I  
33 know it is not the act we are talking about in making  
34 recommendations today, but I think it is significant that  
35 it should be commented on, that the three objectives of  
36 Sydney Water are to protect public health, to protect the  
37 environment and to be a successful business, and definitely  
38 those aims do conflict.

39  
40 I think if the word "successful" was deleted and the  
41 word "efficient" took its place that would be much more  
42 practical. There is definitely a conflict there and I  
43 think what the public wants is an efficient Sydney Water  
44 Corporation. It does not necessarily have to be  
45 profitable. That is what is implied by the word  
46 "successful".

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1 THE COX: Thank you. I do point out that we are not here  
2 to review the Sydney Water act.

3  
4 Any further comments from members of the panel? There  
5 is broad support for the existing model of the licence, not  
6 in the sense of precluding evolution to respond to emerging  
7 issues, and some rationalisation of reporting requirements  
8 if that can be done within the framework of the licence.

9  
10 WATER QUALITY

11  
12 MR COX: We might now move onto the next session, which is  
13 on water quality issues, and that will be introduced by  
14 Michael Sedwell from the tribunal.

15  
16 MR SEDWELL: As the slide says, my name is Michael  
17 Sedwell, I am a member of the tribunal secretariat, and I  
18 will give a short presentation on issues relating to  
19 drinking water quality in the Sydney Water licence. What I  
20 will try to do is outline what we see as some of the key  
21 issues and that will hopefully generate some discussion  
22 from members of the panel and the audience.

23  
24 The key issues we see are, and my talk will evolve  
25 around these issues, should the future licence retain the  
26 current level of detail with respect to water quality; what  
27 is the best way to remove duplication from the water  
28 quality auditing process; and should aesthetic water  
29 quality requirements be included in the licence.

30  
31 Before I discuss those issues, I just want to give a  
32 little bit of an overview of the regulatory framework for  
33 drinking water quality. The first point I'd make here is  
34 that New South Wales Health has statutory responsibility  
35 for regulating Sydney Water in terms of drinking water  
36 quality. If you like, they are the standard-setter for water  
37 quality. IPART sees its role as actually auditing and  
38 reporting to the government and public on the performance  
39 against the standards set by New South Wales Health.

40  
41 If we are looking into it in a little bit more detail,  
42 I just want to touch on some of the instruments that  
43 regulate the water quality. The first one of these is the  
44 Public Health Act, which empowers New South Wales Health  
45 to  
46 do a number of things. These are to provide advice to the  
47 public on drinking water quality, issue warning alerts if  
there's contamination and, if necessary, even close the

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1 water supply. Secondly, the Act also allows New South  
2 Wales Health to request information from water suppliers,  
3 such as Sydney Water, and even to inspect facilities owned  
4 by the water authorities. Finally, under the Act, New  
5 South Wales Health can also require the water authority to  
6 conduct water testing to determine the quality of the water  
7 and also specify particular methodology for the testing.

8  
9 Moving onto the MoU between New South Wales Health and  
10 Sydney Water, this is essentially a voluntary agreement  
11 between New South Wales Health and Sydney Water. It does a  
12 couple of things. It sets out the roles and  
13 responsibilities of both parties, it commits the parties to  
14 regular liaison via various jointly working parties and it  
15 also codifies many of the requirements that are in the  
16 operating licence. So if you looked at the MoU and the  
17 operating licence, a lot of the detailed requirements are  
18 identical.

19  
20 Moving now to the operating licence itself, obviously  
21 it's quite an important instrument as well in regulating  
22 drink water quality. It contains a number of requirements,  
23 one of which is to comply with the 1996 Australian Water  
24 Drinking Guidelines and any updates of the guidelines that  
25 are specified by New South Wales Health. It also requires  
26 Sydney Water to prepare quite a number of plans to improve  
27 water quality. These include the plans for improvement I  
28 just mentioned, plans to test the water, monitoring plans  
29 and also an incident management plan. It is also required  
30 to prepare an annual drinking water quality report. A  
31 couple of other provisions are that recycled water supplied  
32 by Sydney Water must meet any relevant statutory guidelines  
33 or standards.

34  
35 The final point I'd make on this slide is that  
36 although technically outside the scope of the operating  
37 licence itself, per ministerial requirements Sydney Water  
38 is currently required to report performance against a  
39 number of aesthetic water quality parameters. So that's  
40 the background. Now I want to focus on the issues that I  
41 covered in the second slide.

42  
43 The first issue is the detail to which the Australian  
44 drinking water guidelines should be codified in the  
45 licence. In their submissions, Sydney Water indicates  
46 their preferred position is that the licence contain a  
47 simple reference requiring Sydney Water to meet the

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1 Australian Water Drinking Guidelines as specified by New  
2 South Wales Health. What they would like to do is remove  
3 the detailed requirements to the various plans. For  
4 example, the monitoring plan, the incident management plan,  
5 that sort of thing. So they would like a simple statement  
6 to remain.

7  
8 In terms of the detailed requirements of the plans  
9 that I've mentioned, they don't just disappear, but they  
10 would remain in the MoU between New South Wales Health  
and

11 Sydney Water Corporation. The reason that Sydney Water  
12 wants to remove some of the detail is, basically, if you  
13 look at the Australian Water Drinking Guidelines, they are  
14 exactly that - they are guidelines, not mandatory  
15 standards. Sydney Water's point is once you put them in  
16 the licence, they do in fact become mandatory standards  
17 and you are assessed against them each year. If you don't  
18 meet the standards, penalties can apply.

19  
20 I guess another issue from Sydney Water's perspective  
21 is the issue of flexibility. Obviously the licence  
22 typically has a five-year term and it's very difficult to  
23 amend. Obviously it is easier to amend an MoU with New  
24 South Wales Health than the licence.

25  
26 The reason why these detailed monitoring plans and  
27 water quality improvement plans are contained in the  
28 licence is as a result of the McClellan inquiry, as  
29 Julianne has already mentioned. The McClellan inquiry was  
30 critical of the MoUs as a regulatory instrument,  
31 essentially because they were a voluntary agreement and  
32 there was no enforcement powers. It really relied on  
33 cooperation to work. What McClellan says is that water  
34 quality arrangements for Sydney Water should be made  
35 explicit in Sydney Water's operating licence, and by doing  
36 that the operating licence itself would operate as an  
37 enforcement tool. So potentially, if you removed the  
38 requirements from Sydney Water's operating licence, that  
39 could be at odds with the recommendations in the McClellan  
40 inquiry.

41  
42 It has been suggested that the Public Health Act,  
43 which I touched on briefly earlier, could provide that  
44 enforcement to allow New South Wales Health to enforce the  
45 requirements, if necessary. It seems, from a reading of  
46 the Public Health Act, that certainly in terms of water  
47 quality testing requiring a monitoring plan, they could do

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1 that via the Public Health Act. However, New South Wales  
2 Health acknowledged in discussions with us that they are  
3 unsure whether the Public Health Act will allow them to  
4 enforce the other various plans and arrangements we  
5 discussed before.

6  
7 The second issue is removing duplication from the  
8 water quality auditing process. We've already discussed  
9 this a little bit, particularly around the panel, the fact  
10 that one of the themes in Sydney Water's submissions is the  
11 idea of the need to reduce unnecessary overlap and  
12 duplication in the operating licence. One of the areas in  
13 particular, if you read in Sydney Water's submission where  
14 they point to this, is the fact that New South Wales Health  
15 conducts a water quality audit and also IPART conducts a  
16 water quality audit via the operational audit. So there  
17 are two audits of essentially the same thing, and obviously  
18 that would suggest some duplication.

19  
20 Sydney Water in their submission suggest a way of  
21 resolving this duplication is to allow New South Wales  
22 Health to continue to carry out their audit each year, and  
23 then basically to give the results of that audit to IPART  
24 for IPART to use as a basis for their finding as part of  
25 the overall operational Audit.

26  
27 New South Wales Health in their submission suggested a  
28 different way, essentially that you could combine the IPART  
29 audit with New South Wales Health water quality audit.  
30 This would essentially mean that IPART's operational  
31 auditors would basically do the water quality audit on New  
32 South Wales Health's behalf. New South Wales Health have  
33 indicated they would support this option on the proviso  
34 that New South Wales Health were allowed to have input to  
35 the process and were able to review parts of the audit  
36 pertaining to water quality prior to the public release of  
37 that information.

38  
39 The final issue is about aesthetic requirements and  
40 whether they should be included in the licence. As I  
41 mentioned before, currently Sydney Water reports against a  
42 number of aesthetic parameters as part of a ministerial  
43 requirement. The point I make here is it's not a formal  
44 licence requirement yet, but it is reported to IPART as  
45 part of the audit process. The second point I'd make is  
46 that Sydney Water routinely complies with nearly all of the  
47 aesthetic requirements - easily, in most cases.

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1  
2 The only difficulty they have is in relation to  
3 chlorine and some chlorine byproducts. Sydney Water have  
4 to use chlorine to disinfect the water to make it safe for  
5 people to drink. There is an issue there where the health  
6 guideline values are set a lot higher than the aesthetic  
7 guideline values, so potentially they can clash. Obviously  
8 Sydney Water needs to be able to disinfect the water and in  
9 that case needs to err on the side of the health  
10 guidelines.  
11  
12 To deal with this in our issues paper we suggested  
13 that Sydney Water could utilise the model in Hunter Water's  
14 operating licence - that is, that Hunter Water will comply  
15 with the aesthetic guidelines, but where the health and  
16 aesthetic guidelines clash, the health guidelines will  
17 prevail.  
18  
19 I will just make a point here about the aesthetic  
20 guidelines. As the name suggests, they are primarily aimed  
21 at dealing with customer service issues. Things like  
22 taste, odour, discolouration of the water, the aesthetic  
23 values also deal indirectly with health issues. For  
24 instance, if you have turbidity or a pH beyond the aesthetic  
25 guideline values, that can suggest problems in your system  
26 and reduce your ability to disinfect the water. If you  
27 read the Australian Water Drinking Guidelines what they  
28 suggest is that if you monitor against aesthetic values and  
29 you are failing to meet them, it's probably a trigger for  
30 you to carry out some further investigations about the  
31 water system.  
32  
33 I will move on to Sydney Water's position in terms of  
34 the aesthetic issues. In their submissions, Sydney Water  
35 argue that New South Wales Health is obviously the standard  
36 setter for water quality and New South Wales Health should  
37 set the aesthetic guidelines, if any, that are included in  
38 the licence. If you look a little bit beyond the  
39 submission and go back to the mid-term review, Sydney Water  
40 really made the point, they questioned whether, by applying  
41 the aesthetic guidelines in the licence, customers would  
42 benefit at all. As I stated before, Sydney Water routinely  
43 complies with nearly all the aesthetic characteristics.  
44 Although, this hasn't seen complaints for things like dirty  
45 water and such disappear. They still remain and they are  
46 approximately 10 per cent of Sydney Water's overall  
47 complaints.

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1  
2 So what Sydney Water essentially are saying is that  
3 it's wrong to assume that these issues will disappear,  
4 complaints will disappear, if you include the aesthetic  
5 characteristics in the licence. I guess Sydney Water would  
6 prefer to deal with this issue as they are doing currently,  
7 and that is via rebates as part of the customer contract  
8 for things like dirty water and such.  
9  
10 I'd like to conclude now. There are just a couple of  
11 issues which I'd like to hear people's comments on and get  
12 people's feedback on. The first one is should the future  
13 licence requirements retain correct levels of detail? That  
14 relates to the various planning requirements which I have  
15 outlined. The second issue is what is the best way to  
16 integrate the two water quality audits? Thirdly, whether  
17 there is benefit in formally including the aesthetic  
18 parameters as part of the licence and, fourthly, I'd like  
19 to invite comments on other issues. Obviously water  
20 quality is a very important part of the licence. We are  
21 keen to get it right, so I'd like to hear comments from  
22 anybody that's got issues that I haven't covered today.  
23  
24 MR COX: Thank you very much, Michael. We'll now go on to  
25 comments from members of the panel and we'll start off this  
26 time from Paul Byleveld from Health.  
27  
28 MR BYLEVELD: Thanks for the presentation, Michael. I'll  
29 start by saying that our MoU with Sydney Water and the  
30 operating licence generally meet our interests in  
31 protecting community health. There are some issues for  
32 discussion today about where the requirements are best  
33 placed, whether they should be in the operating licence, in  
34 the MoU or perhaps in both.  
35  
36 The Australian Water Drinking Guidelines, they are a  
37 joint publication by the National Health and Medical  
38 Research Council and now the Natural Resource Management  
39 Ministerial Council. We expect during the period of review  
40 of the operating licence that a new edition will be  
41 endorsed for use. It's currently being considered by the  
42 New South Wales government. There is a lot of detail in  
43 the drinking water guidelines. People think about water  
44 quality criteria and the various parameters you can  
45 measure. You can take a sample and send it to the  
46 laboratory, but the guidelines mean a lot more than just  
47 testing the water.

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1  
2 There's a concept put out of a multiple barrier  
3 approach, having many barriers to protect a system from  
4 contamination. The revised guidelines refer to a framework  
5 for managing drinking water quality. This is a more  
6 holistic approach; looking at the supply from the catchment  
7 and every step from there through to the consumer. It  
8 would be very difficult to represent all those steps in the  
9 operating licence, but it certainly is possible to do that.

10  
11 At the moment some of those elements are reflected in  
12 the operating licence, those of monitoring and having  
13 various plans and reporting in place. I suppose, from a  
14 health perspective, we would like to see all the elements  
15 represented or perhaps a simple reference to complying with  
16 a framework for managing drinking water quality in the  
17 operating licence.

18  
19 At the moment, we are somewhere in between. We have  
20 some of the elements there, but not all of them. We are  
21 certainly receptive to the thoughts of other organisations  
22 and agencies on this. Our chief health officer doesn't  
23 feel strongly on it and would be prepared to accept Sydney  
24 Water's recommendation based on advice received of powers  
25 under the Public Health Act that certain things be moved to  
26 the MoU. We don't feel particularly strongly, provided  
27 that the regulatory arrangement for meeting the guidelines  
28 in the framework is represented.

29  
30 There are a lot of requirements on Sydney Water to  
31 produce plans and reports and one thing, we hope, is that  
32 this is always a meaningful activity that delivers the best  
33 possible drinking water to the community and that we are  
34 not caught up in the process of producing plans for the  
35 sake of having them out there, but actually having a  
36 meaningful outcome.

37  
38 I'm happy to discuss with others in the room as we go  
39 through the morning this concept of how best do we pick up  
40 that the regulatory requirements, be it in an operating  
41 licence or MoU, and I'd also be very pleased to hear the  
42 opinions of other groups, particularly on also how this  
43 might be audited. Whatever requirements go into an  
44 operating licence should be audited in a transparent way.

45  
46 I will touch on the issues of the aesthetic criteria.  
47 We would not support regulating all aesthetic parameters,

1 as they are not directly health-related. We work with  
2 water utilities across the State, close to 130 public water  
3 utilities. Many of them are local councils across the  
4 State. The experience in supplying drinking water is that  
5 you can't always comply with the aesthetic criteria. It is  
6 good to set them as a goal and to aim to achieve them, but  
7 communities need to accept that from time to time, on rare  
8 occasions, aesthetic criteria will not be met.

9  
10 The present arrangement with Hunter Water in their  
11 operating licence is that they set out some of the key  
12 criteria to be met, key aesthetic parameters. It also  
13 notes that where there is a conflict between the health  
14 criteria, health guideline and aesthetic guideline - for  
15 example the chlorine disinfection - then the health  
16 criteria must take precedence in the interests of  
17 protecting the community health. We would expect that  
18 Sydney Water would still investigate and respond where  
19 water quality is clearly unacceptable. That is a given and  
20 that's a reasonable expectation for the regulators and for  
21 the community.

22  
23 I mentioned earlier our position on the audits. We do  
24 commission an annual independent audit of water quality.  
25 We feel that this may be better placed with the IPART's  
26 audit of the operating licence, the annual operational  
27 audit, where we are able to contribute in a clear way to  
28 the annual audit process, and not put ourselves and Sydney  
29 Water through a separate audit, quite often happening  
30 within the same period of time.

31  
32 I might stop there and perhaps pick up on points  
33 others have raised as the discussion goes on.

34  
35 MR WELLSMORE: I guess I really just need to probably  
36 touch again on the point I made before about '98 and  
37 McClellan and so forth. We are still very strongly  
38 supportive in favour of having requirements relating to the  
39 MoU with Health contained and set out in the operating  
40 licence. Essentially, that follows on, really, from the  
41 sorts of arguments that McClellan made, and it touches  
42 again on the point I was making before about accountability  
43 and community confidence and so on and so forth.

44  
45 It's not necessarily the case that Health and Sydney  
46 Water can't take care of these issues by themselves. It's  
47 just the case that we think it's an important point that

1 that activity and those discussions and the arrangements  
2 that come out at the other end of that process are in some  
3 way made known to people in the community, and that there  
4 is a confidence that, yes, the proper process is being gone  
5 through and that there are real protections there. So I  
6 suppose we would see that the requirements in the licence  
7 are in the MoU as being, in our case, some addition to the  
8 workload, but basically really only a matter of reporting  
9 on what we would expect is being done in any event.

10  
11 As far as the drinking water guidelines and so on and  
12 so forth, certainly PIAC are not in the business of telling  
13 anybody what the water quality guidelines ought to be. New  
14 South Wales Health have certainly got the expertise in  
15 discussion with Sydney Water to work out what has to be  
16 done. The actual auditing and monitoring the compliance of  
17 some of those, I think is an issue. I think PIAC broadly  
18 would be supportive of the proposals being raised this  
19 morning about integrating of the two compliance audits and  
20 simplifying the reporting of performance against Australian  
21 Water Drinking Guidelines.

22  
23 I think we probably would be supportive as well of  
24 some revision to the aesthetic parameters and the sort of  
25 requirements around the aesthetic quality of water.  
26 Certainly from PIAC's point of view we would think the  
27 health standards are the first order issue; that's what  
28 really needs to be addressed. Yes, it's true that it's not  
29 nice perhaps when your water comes out a bit brown or your  
30 water perhaps on a given week or month might taste a bit  
31 slightly more of chlorine than what it does ordinarily.  
32 I'm not sure, I think there are some people who actually  
33 prefer the taste of chlorine. We have one person in the  
34 room, I think, that that applies to. In a perfect world  
35 the water would taste like it came out of a mountain spring  
36 every single time. We live in a fairly large metropolis  
37 and our water quality in aesthetic terms is quite good  
38 comparatively. I'm not sure what the community gains by  
39 imposing extra requirements and extra effort and extra  
40 allocation of resources and expenditure on Sydney Water to  
41 have pristine water, the mountain spring kind of variety.  
42 The 96 cents a kilolitre versus \$2 for 300 millilitres - I  
43 don't know, I will take the chlorine, thanks, at that  
44 price.

45  
46 I think generally, though, having said that about  
47 aesthetic qualities and so forth, PIAC does wish to see the

1 licence retain some other important requirements that we  
2 believe are very important. One issue that's been raised  
3 in the past has been raised again in this review of the  
4 licence, and that is the drinking water management plans.  
5 We still believe, coming out of McClellan and the sort of  
6 relatively short space of time since McClellan's report,  
7 that it's important that, again, for accountability and  
8 public confidence reasons, that the drinking water  
9 management plans stay as a requirement in the licence and  
10 that we continue to actually have those being developed by  
11 Sydney Water.

12  
13 MR COX: Thank you very much. Peter Prineas is next.

14  
15 MR PRINEAS: The Nature Conservation Council would prefer  
16 that the water quality parameters that currently exist in  
17 the licence not be removed from the licence. As has been  
18 pointed out by Jim Wellmore, it's not so long since the  
19 Sydney Water quality incident and the McClellan inquiry,  
20 which took to this whole area. I don't think a sufficient  
21 case has been made for what might be a weakening of those  
22 arrangements. Indeed, I don't think any case has been  
23 made.

24  
25 I don't think the NCC would have any concern about the  
26 other point relating to the water quality audit. If the  
27 Department of Health wants to accept the annual operating  
28 licence water quality audit and be perhaps involved in  
29 that, supervising that or commissioning that, as long as it  
30 has the status of being an operating licence audit and the  
31 Department of Health are satisfied of it, again, the NCC  
32 wouldn't see that as being a problem. It doesn't seem to  
33 me to be very sensible to have two consultants doing almost  
34 the same audit for the same purposes. So I think we can  
35 agree with that.

36  
37 On the third point about aesthetics, the cost of  
38 improving the taste of water and the benefits to be derived  
39 from that are very difficult to really assess. So it's not  
40 easy to come to any conclusion here. The NCC's concerned  
41 about aesthetics issues in the tap water supply as a  
42 motivation for people going out and buying lots more  
43 bottled water. Bottled water is of course taking up more  
44 and more supermarket shelf space every year. It's just  
45 extraordinary. The NCC has some concerns about that,  
46 because environmental regulation of those sources of water  
47 are variable and questionable. There's a lot of energy

1 involved in transport, there's a lot of plastic involved,  
2 and to cut a long story short, the NCC doesn't like the  
3 bottled water market at all. It's just not an  
4 environmentally appropriate way to go.  
5  
6 So, if anything can be done to aesthetics to perhaps  
7 address concerns people have about the aesthetics of tap  
8 water, which might be leading to the attraction of bottled  
9 water, perhaps that ought to be looked at. The concern  
10 that I personally have is that perhaps it's just a fashion  
11 thing, and it's got nothing to do with taste. So perhaps  
12 you could end up spending a lot of money for no reason. So  
13 it's an area that we want to have a definite view on at  
14 this stage.

15  
16 MR COX: Leigh Martin?

17  
18 MR MARTIN: Thanks, Jim. Once again I find myself at the  
19 point of agreement with a lot of what Jim and Peter have  
20 had to say. You are making my job very easy, so I'm quite  
21 happy with that.  
22

23 The TEC's obviously strongly supportive of the  
24 drinking water guidelines remaining in the licence. I  
25 suppose there is that issue of Sydney Water's proposals to  
26 remove references to monitoring, reporting and planning  
27 from the current licence and we obviously have some serious  
28 concerns about that. That, I think, relates directly to  
29 the comments we were making earlier regarding the role of  
30 the operating licence and the need for it to be a  
31 thoroughly inclusive document and to allow the tribunal to  
32 carry out a comprehensive audit of the corporation's  
33 activities. So I think there is a very strong need to  
34 retain those requirements.  
35

36 In relation to the proposals that have been presented  
37 this morning regarding essentially integrating the two  
38 audits of drinking water quality, I can see there certainly  
39 may be some merit in that. I would agree with Peter's  
40 comments that it's very much dependent on that essentially  
41 remaining an operating licence audit document. If that  
42 were the case, then I can't see that it wouldn't  
43 essentially weaken the current provisions, but I have to  
44 stress that it is very important that the operating licence  
45 continues to provide the means for the tribunal to have a  
46 very clear role in assessing the performance on those  
47 criteria.

1  
2 That's important from our point of view in terms of us  
3 being able to get good access to information regarding the  
4 corporation's performance. We support retention of the  
5 five-year drinking water management plan and the annual  
6 drinking water improvement plan. I think there was a  
7 question, or questions raised on those in the tribunal's  
8 discussion paper. We note that the tribunal examined those  
9 in detail in the mid-term review and concluded that the  
10 licence should retain those requirements. We think that  
11 those conclusions that were drawn in the mid-term review  
12 are still valid.  
13

14 Regarding the aesthetic water quality criteria, I  
15 think there may be some value in including those in the  
16 licence, although I will acknowledge it's probably not one  
17 of the most important issues to be covered in this  
18 operating licence review. I support Peter's comments about  
19 his concerns with the bottled water market, and it's clear  
20 that there are some issues with public confidence in  
21 drinking water in terms of those aesthetic criteria. One  
22 of the key concerns with the bottled water market is in  
23 many places the unknown impact that it's having on ground  
24 water reserves and ecosystems and on those ground water  
25 supplies. I know that is becoming a more and more pressing  
26 issue on parts of the Central Coast, where there are  
27 significant burdens being placed on ground water resources  
28 there. So we have some concerns with those.  
29

30 I can't see that, given that Sydney Water is meeting  
31 those requirements routinely, those aesthetic guidelines  
32 routinely, it would place a heavy burden on the corporation  
33 to have them in the licence, but it would be useful, I  
34 think, in terms of allowing performance against those  
35 criteria to be covered in the operational audit. I think  
36 there's some value in a similar provision to that, which  
37 Hunter Water has, which includes those in the licence, but  
38 makes them subordinate to the Health guidelines. Obviously  
39 there is not a lot of point in having water that looks,  
40 smells and tastes great but drinking it actually puts you  
41 in bed for a week. That would probably do more to erode  
42 confidence in drinking water and promote the growth of the  
43 bottled water market than anything else that could possibly  
44 be done. So I think there is some value in including those  
45 requirements in the licence, but certainly they need to be  
46 subordinate to the Health requirements. As I said, it is  
47 probably not the key issue that we would consider in this

1 review.  
2  
3 I wonder, though, if there might be some value in  
4 Sydney Water giving some detailed investigation into some  
5 of the alternative technologies that have been considered  
6 in the past for essentially reducing the impacts of  
7 chlorine disinfection products and byproducts, just as a  
8 way of improving the water quality. Although, perhaps they  
9 might also consider giving people bottled Adelaide water to  
10 sample on an occasional basis each year so that they can  
11 compare Sydney's aesthetic water quality with those in some  
12 other parts of the country.

13  
14 MR COX: Thank you very much. Sydney Water?

15  
16 MR EVANS: I will make a few introductory comments and  
17 then pass to Angela. As an old boy from Adelaide, I would  
18 reinforce the comments not only about the taste of it, but  
19 when you used to have a bath, the last thing you did was  
20 clean the brown rim from around the edge. Fortunately we  
21 don't have that situation over here.

22  
23 Just a couple of contextual points, I think, are  
24 important. First of all, Sydney Water unequivocally  
25 supports very clear licence / Department of Health  
26 regulation of drinking water quality, the community has  
27 faith in clear auditing of it, clear legal basis for it and  
28 that drawing on the NHMRC guidelines, there is no debate.  
29 It is in everyone's interest, the cornerstone of the whole  
30 arrangement.

31  
32 I think there is no intent to retreat from that. The  
33 debate is purely one of rationalisation and making sure it  
34 works effectively and has a sound legal basis. So I think  
35 we're in what I would call housekeeping mode here just  
36 trying to make sure that we have, (a), the Department of  
37 Health taking the primary role and, (b), that any legal  
38 ambiguity about the capacity to enforce all these things is  
39 cleared up.

40  
41 I would like to make it clear we are not suggesting we  
42 want to decline to do things the Department of Health might  
43 suggest; we just want it to be clear what's being  
44 suggested, why it's being suggested and what the  
45 accountability devices are. So it's not an attempt to  
46 wriggle out from underneath McClellan or anything  
47 associated with that. It's in the spirit of continuous

1 improvement rather than retreat, as it were.  
2  
3 The other thing I think worth touching on at a high  
4 level is that the NHMRC guidelines themselves are sometimes  
5 I think a bit misinterpreted. They are guidelines and  
6 historically, I think, people have thought, well, they are  
7 like the Olympic games, you have them every four years and  
8 you adopt whatever the guideline is and they remain static  
9 in between time. So if you adopt the 1996 Atlanta  
10 guidelines, that's good, and then you have a look them as  
11 they evolve four years later.

12  
13 The situation is rather more dynamic than that  
14 nowadays. The guidelines are evolving not only to include  
15 the sort of continuous improvement risk assessment-type  
16 concepts that were identified by Paul, but they are also  
17 evolving routinely, so you are not just getting one every  
18 four years. So I think that's a strong reason to get a  
19 situation where the Department of Health sets what, from  
20 the guidelines, Sydney Water is having to achieve in a  
21 black-letter sense and therefore could, as they saw fit,  
22 change it over time as improvements emerged, as long as we  
23 had the chance to adjust to that.

24  
25 So I think we've got to cope with that sort of more  
26 dynamic world that emerges and ensure that Health is the  
27 primary regulator, whatever cross-referencing or legal  
28 empowering is necessary is done through the licence and  
29 then we are clear about the accountabilities.

30  
31 MS TSOUKATOS: I don't have too much to add. I think  
32 David has really covered it. I think we are all  
33 acknowledging that Health has the primary regulatory role  
34 here, that the centrepiece of this regulation is the  
35 Australian Drinking Water Quality Guidelines as reflected  
36 in the licence, and that there needs to be an ability to  
37 balance the public health with aesthetic considerations.

38  
39 We also acknowledge that Health currently doesn't have  
40 the licensing powers to do the planning and monitoring that  
41 the licence calls up. Those requirements are also  
42 reflected in the MoU, so it's possible for those  
43 requirements to be satisfied in the MoU. If that isn't  
44 satisfactory to stakeholders, as it doesn't appear to be  
45 today, we can live with those requirements being reflected  
46 in the licence as they are, as long as we have the very  
47 clear role taken by Health in the integration of auditing

1 so we don't get, you know, two audits, and the haphazard  
2 results that come out of that, potentially.

3  
4 MR COX: Thank you.

5  
6 MR VHORA: DIPNR has no real specific view. Our  
7 submission generally supports what Sydney Water just said,  
8 that it's their core business, that is what Sydney Water  
9 is, and the area needs to be strictly regulated, but with  
10 some revision of the current arrangements.

11  
12 MR COX: Thank you. Paul, any further comments?

13  
14 MR BYLEVELD: Just a couple of comments. Thanks to David  
15 for mentioning the role in the revision process of the  
16 Australian Drinking Water Guidelines. It is a reality now  
17 that they are subject to a role in revision. I acknowledge  
18 the concern that's been voiced about possible erosion of  
19 the existing arrangements, or requirements of the operating  
20 licence and McClellan's recommendations. I think a  
21 question that we'll have to work on is how we best reflect  
22 the requirements of the drinking water guidelines,  
23 particularly if the new guidelines are endorsed by the time  
24 the new operating licence is in place, how we can represent  
25 that in a holistic way that that truly reflects the  
26 intention of the National Health and Medical Research  
27 Council.

28  
29 MR COX: Thank you. Any further comments from members of  
30 the panel?

31  
32 MR MARTIN: I have one. It is in relation to David's  
33 point about the role in revision of the drinking water  
34 guidelines. It has long been TEC's view that you can  
35 easily address that issue by having the operating licence  
36 require compliance with the most up-to-date drinking water  
37 guidelines that are in place at any particular time, rather  
38 than simply referencing the set that were in place when the  
39 operating licence was drawn up. So essentially a clause in  
40 the licence which requires adherence to any reviews of  
41 those guidelines, I think, captures that issue.

42  
43 MR EVANS: Could I comment very generally on that. I  
44 think at a broader level I can easily understand how  
45 someone can hold that view. I think it is important to  
46 recognise that the guidelines are a very dynamic instrument  
47 now and are evolving in a way that is designed to provide

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1 guidelines for a very wide ranging variety of water  
2 sources. Even in some cases they derive from WHO, et  
3 cetera. Some of the precise understandings of what they  
4 actually mean in terms of practical application, and  
5 whether practical application of each component part of  
6 them is relevant for cities with particular types of water  
7 supply, you know, filter versus non-filter, et cetera,  
8 requires some careful consideration before you elevate it  
9 to a black-letter obligation, which may be then difficult  
10 to interpret and create another round of ambiguities.

11  
12 So we are simply saying put the revisions as they come  
13 through an intelligent filter, which the Department of  
14 Health will be the arbitrator of, so you don't accidentally  
15 elevate something that's not designed for the purpose to  
16 the black-letter outcome and then create a set of  
17 ambiguities for everybody.

18  
19 MR COX: Further comments? Michael, do you want to make  
20 any comments at this stage?

21  
22 MR SEDWELL: No, thanks.

23  
24 MR COX: People in the audience, any comments? No.

25  
26 It seems to me that there is a fair degree of  
27 agreement around the table, and tell me if I have got it  
28 wrong, that we need to recognise the role of Health as the  
29 primary regulator, and I think we recognise that  
30 health-related requirements need to be in the operating  
31 licence. We need to update what's actually in the licence  
32 to reflect the modern views about regulating the water  
33 quality. I think that's an important point. Also, we look  
34 at rationalising reporting requirements and we consider  
35 aesthetic requirements, but they are perhaps not the  
36 priority. Is that basically right? Okay. Thanks.  
37 I think we might take a coffee break now.

38  
39 SHORT ADJOURNMENT

40  
41 CUSTOMER SERVICE ISSUES

42  
43 MR COX: The next issue that we are going to examine,  
44 customer service issues, is going to be introduced by  
45 Stephanie Biesaga from the secretariat.

46  
47 MS BIESAGA: My name is Stephanie Biesaga, I am a senior

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1 analyst with IPART's secretariat, and I will spend a few  
2 moments today talking about customer service issues.  
3  
4 One of the key aspects of the operating licence is  
5 that it addresses the relationship between Sydney Water and  
6 those customers and consumers who rely on the monopoly  
7 services that it provides. The word "monopoly" in this  
8 context refers to the fact that certainly at present  
9 customers and consumers cannot choose an alternative  
10 supplier should they be unhappy with the service Sydney  
11 Water provides. Under the existing regulatory arrangements  
12 under the licence Sydney Water is required to establish and  
13 consult with customer councils, to set out the rights and  
14 obligations of the organisation and its customers in a  
15 legally enforceable customer contract, to establish both  
16 internal and external complaint handling and dispute  
17 resolution procedures and to provide flexible payment  
18 options and hardship policies through a code of practice  
19 and procedure for debt management and disconnection.  
20  
21 Following ministerial direction, Sydney Water is  
22 required to monitor and report against various indicators  
23 of customer service performance. These include response  
24 time to complaints and telephone and account contacts.  
25 This requirement currently sits outside of the operating  
26 licence. IPART's 2001 review of system performance  
27 standards for Sydney Water recommended a staged  
28 incorporation of customer service indicators into the  
29 operating licence.  
30  
31 At the minister's direction, Sydney Water and the  
32 tribunal negotiated a number of measures of customer  
33 service and satisfaction for reporting purposes. Just to let  
34 you know,  
35 IPART has recently engaged Peter Harford from Harford  
36 Enterprises to advise and report on an appropriate list of  
37 customer service indicators for inclusion in the operating  
38 licence. Consultation with stakeholders will form part of  
39 that process, along with publication of a draft report and  
40 the opportunity for stakeholder comment on that draft prior  
41 to finalisation. Also to let you know, this process will  
42 also cover advice on the collection and reporting of data  
43 on localised problems in the systems covered by the  
44 operating licence.  
45 The issues paper sought comments on a number of  
46 aspects of the existing arrangements and, after considering  
47 the submissions received, we are eager to explore two

1 particular issues further as part of today's workshop,  
2 those two issues being the customer contract and customer  
3 councils.  
4  
5 Regarding the customer contract, the operating licence  
6 reflects the requirement under the Sydney Water Act for  
7 Sydney Water to set out the terms and conditions of its  
8 service in a standard customer contract. A landowner whose  
9 property is connected to one of Sydney Water's water mains  
10 or sewer mains is deemed to have entered into a customer  
11 contract with Sydney Water. Following full public review  
12 and workshop, Sydney Water introduced a new customer  
13 contract two years ago, April 1, 2002. The contract sets  
14 out the rights and obligation of Sydney Water and its  
15 customers regarding the provision of water and waste water  
16 services. It also addresses those consumers who are not  
17 direct customers of Sydney Water obliging Sydney Water to  
18 provide tenants with reasonable notice of any intention to  
19 restrict supply.  
20  
21 In its submission to the end-of-term review, the  
22 Energy and Water Ombudsman referred to a number of  
23 concerns  
24 regarding the existing arrangements. Firstly, under the  
25 customer contract interest can be charged on overdue  
26 accounts even where a customer experiencing financial  
27 hardship has agreed an extension or instalment plan with  
28 Sydney Water. IPART considers that customers who are  
29 making every effort to pay their bills should not be  
30 burdened with late payment fees in the form of interest or  
31 other additional charges and that the practice of charging  
32 interest to such customers goes against the intent of the  
33 contract. IPART recently wrote to Sydney Water with a  
34 number of options for resolving this issue and is at present  
35 awaiting a response.  
36 Secondly, there is no explicit requirement under the  
37 contract for Sydney Water to include in bills either meter  
38 read information such as meter number, the reading, the  
39 date and type, or an explanation of over or undercharging.  
40  
41 Finally, there may be a lack of consistency between  
42 the contract and the code of practice on debt and  
43 disconnection. For example, where the code states the  
44 circumstance that tenants will be considered in the  
45 implementation of restrictions, disconnection or other  
46 recovery action, the contract requires Sydney Water only to  
47 provide reasonable notice to the occupier of the property

1 that supply is to be restricted.  
2  
3 We are interested in hearing views today on whether  
4 action should be taken as part of this review to address  
5 the concerns that have been raised regarding the contract.  
6  
7 On customer councils, again the operating licence  
8 reflects Sydney Water's obligation under the act to  
9 establish and consult with one or more customer councils.  
10 The licence also requires Sydney Water to develop a  
11 customer council charter in consultation with council  
12 members.  
13  
14 Sydney Water commissioned a review of the existing  
15 arrangements with the consultants recommending the  
16 establishment of one permanent customer council  
17 representing Sydney Water stakeholders and the use of  
18 single issue fixed-term advisory groups. To that effect,  
19 the regional customer councils have been discontinued and  
20 advisory groups have been developed.  
21  
22 Notwithstanding the recent changes to the arrangements  
23 for customer councils, a number of concerns were raised in  
24 submissions to the current review. These essentially  
25 revolved around communication between council members  
and  
26 Sydney Water, the balance of power between the two and the  
27 following up of issues raised at meetings. The secretariat  
28 has looked at the workings of similar committees across  
29 other jurisdictions and industries and there is a  
30 range of initiatives undertaken by various organisations.  
31 At AGL and Telstra, a co-chair for the committee is  
32 selected from customer representatives. At Melbourne water  
33 retailers and AGL, specific organisations are targeted for  
34 committee membership, for example, environmental and  
35 welfare groups. Issues are tracked and followed up through  
36 committee update of an action plan at each meeting - this again  
37 at AGL. Committee membership includes the managing  
38 director and/or other senior staff from the service  
39 provider - this is in the case of AGL and the Melbourne  
40 water retailers. We also note that the guidelines for New  
41 South Wales board and committee members includes scope for  
42 remuneration in the form of sitting fees and the payment of  
43 reasonable expenses incurred in attending meetings.  
44  
45 With this in mind, and considering the tribunal's role  
46 in evaluating and reporting on the effectiveness of  
47 councils and compliance with a customer council charter,

1 there are a number of options for how customer councils are  
2 dealt with in the operating licence.  
3  
4 One option would be for the licence to include only  
5 the requirements on Sydney Water to establish and consult  
6 with councils and to stipulate an appropriate charter  
7 subject to the regulatory approval of the tribunal.  
8 Alternatively, the licence could also first identify some  
9 key items that the charter should consider, for example,  
10 that Sydney Water nominate a council chair and co-chair,  
11 that Sydney Water's representatives on the council include  
12 senior executives, that action plans are reported on and  
13 updated at meetings and that stakeholders nominate some  
14 council members. Finally, the charter could consider the  
15 detailed arrangements re the terms of council membership  
16 which would remove these from the current operating  
17 licence.  
18  
19 Secondly, the licence could refer to sitting fees for  
20 council members and/or expenses for advisory groups and,  
21 finally, the licence could also include a requirement that  
22 Sydney Water report on the establishment, operation and  
23 achievements of its councils.  
24  
25 Again, we are interested in hearing views today on the  
26 appropriate level of detail regarding customer councils for  
27 the operating licence. Thank you.  
28  
29 MR COX: Thank you very much. A number of issues have  
been  
30 raised about the customer contract itself, customer  
31 councils and customer service indicators. We will now take  
32 comments from the panel on those issues. I thought this  
33 time we might start off with EWON.  
34  
35 MS HAMILTON-FOSTER: Amanda Hamilton-Foster. I am the  
36 senior policy officer for electricity and water in the  
37 Omdudsmans' office.  
38  
39 We thank the tribunal for the opportunity to address  
40 these issues. We believe it is timely to review the  
41 customer contract both in terms of the comprehensiveness of  
42 the drafting of the document and to review the contract in  
43 practice.  
44  
45 We have looked quite closely at the difference between  
46 the requirements for the electricity and gas utilities and  
47 industries in New South Wales and the requirements for the

1 water utilities, and EWON certainly supports best practice  
2 in New South Wales within the utilities.

3  
4 Turning to the first issue of the interest being able  
5 to be charged on overdue amounts, EWON believes that there  
6 is a commitment of Sydney Water and its staff to assisting  
7 customers in financial difficulty, and you only have to  
8 look at the operation of the PAS scheme to see that this  
9 commitment is real.

10  
11 However, we are concerned that we have had complaints  
12 raised with us that when a customer is having difficulty  
13 paying and they approach Sydney Water and negotiate an  
14 extension or a payment arrangement on the account, that  
15 interest is still charged on that overdue amount even  
16 though Sydney Water has accepted this payment arrangement.  
17 We understand that Sydney Water is not the only water  
18 utility which has this practice.

19  
20 We are concerned particularly that the complaints that  
21 were raised to EWON were from low income customers or  
22 older  
23 customers on a fixed income who were finding it difficult  
24 to meet their bills in the first place and we were  
25 concerned that the imposition of interest not appear  
26 punitive in these situations.

27 In particular we note that IPART has done a lot of  
28 work in the electricity industry on the issue of late fees  
29 and has come out quite clearly that late fees should not  
30 adversely affect small retail customers within that  
31 industry and we believe that some of the considerations  
32 that IPART gave in the electricity industry about the  
33 imposition of late fees are equally applicable to Sydney  
34 Water.

35  
36 In addition, we have made some comments, as was  
37 highlighted here, about the drafting of the contract  
38 document and some of the requirements that, whilst Sydney  
39 Water may be meeting them, they are not codified in the  
40 contract, and it is timely to look at those issues such as  
41 metering information. We are interested as well in the  
42 issue of undercharging and overcharging. As some of you  
43 might be aware, IPART made some changes in the gas and  
44 electricity supply acts when retail competition was  
45 introduced which means that if a customer is overcharged or  
46 undercharged an amount by a utility and then the utility  
47 makes an amendment on the bill, there is a requirement that

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1 this amount be listed separately and explained to  
2 customers. We note that there is no similar requirement in  
3 the contract.

4  
5 In addition, electricity and gas providers are unable  
6 to recover any amounts undercharged due to a billing  
7 complication at the utility's end for more than 12 months.  
8 We believe this is an industry best practice and we would  
9 certainly support the introduction of these sorts of  
10 measures.

11  
12 We receive a number of complaints about billing from  
13 customers in all industries and EWON firmly believes that  
14 the more information that you provide to customers and the  
15 clearer that you make their bills, the less complaints that  
16 you have. We certainly believe that customers should be  
17 given as much information as possible to understand,  
18 particularly when there has been a problem or a difficulty  
19 on their account.

20  
21 I think that is all I will say at the moment. We have  
22 made additional comments in our submission on customer  
23 service indicators and we certainly support the inclusion  
24 of the indicators in the licence as set out in the issues  
25 paper. We believe that Sydney Water is committed to  
26 continual improvement of customer service levels and  
27 quality and we find that we have a very good dialogue with  
28 Sydney Water of raising these issues with them.

29  
30 Customer service is certainly an important issue for  
31 Sydney Water customers. In their last financial year, of  
32 all the issues raised by Sydney Water customers, customer  
33 service was the second most common issue raised. We  
34 certainly believe that some of the requirements to measure  
35 the time taken for a substantive response to a customer  
36 complaint is an excellent indicator because we believe that  
37 complaints can escalate when customers are not given  
38 sufficient information, sufficient contact, about the  
39 investigation of their complaint.

40  
41 We certainly support some of the changes that Sydney  
42 Water has made. We support the fact that they are engaging  
43 some community consultants when they are doing large works,  
44 in particular in areas such as large sewerage or  
45 infrastructure changes, and we believe that customer  
46 consultation, keeping customers informed when you are  
47 investigating their issues, giving them a contact person

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1 who is able to understand their complaint, particularly  
2 when it is a complex case - and we do get very complex  
3 issues with water given the number of regulatory bodies  
4 involved - and we believe that any initiatives that are  
5 putting customers more directly in contact with their  
6 provider and encouraging a provider to get them as much  
7 information as possible is a key mechanism to reducing  
8 customer complaints and increasing customer satisfaction.

9  
10 MR COX: Thank you very much. I now go to Jim Wellmore.

11  
12 MR WELLSMORE: It is probably worth PIAC just echoing the  
13 point that Amanda just made about payment system schemes  
14 and other similar social programs that Sydney Water has  
15 got. This is one relating to people in financial  
16 difficulties who are picked up in the sewerage assistance  
17 programs, with which we are also very supportive, along  
18 with the payment assistance scheme.

19  
20 Broadly speaking in terms of customer service issues  
21 it is fair to say that Sydney Water has taken a very  
22 proactive, constructive and fruitful approach to its  
23 customer base, which is very pleasing. That is not always  
24 the case with utility industries and suppliers. That is  
25 pleasing.

26  
27 I am grateful for EWON raising the particular concerns  
28 around the customer contract. Certainly PIAC is more than  
29 happy to follow the lead of EWON, given their experience  
30 and their contact with customers on the sorts of concerns  
31 and issues that customers raise, and I guess I make the  
32 point in relation to the contract and the code of practice  
33 on debt collection that there is probably some evolutionary  
34 work still needed. It is probably a matter of just timing  
35 and trying to bed it down, getting to the end of the  
36 introduction of the code. They are important issues and  
37 they should be addressed. I am not sure whether today is  
38 the best way to do that. It might be that, if all the  
39 stakeholders were agreeable, another smaller meeting might  
40 be appropriate with everybody sitting down with the  
41 secretariat and perhaps nutting out some specific changes  
42 in wording that might address some or all of those  
43 concerns.

44  
45 Customer councils is probably one of the more  
46 difficult areas to pin down in the discussions today. PIAC  
47 has had a long-running interest in customer councils across

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1 all the utility industries. That stems from the mandate we  
2 have got in our funding from the New South Wales  
3 Government. Again it is probably fair to say that over the  
4 time that PIAC has been involved in utilities we would note  
5 that Sydney Water has done a good job with its customer  
6 councils. It has tended to be very proactive. For  
7 example, perhaps the proof of that is that the Sydney Water  
8 Customer Council Charter largely provides the basis for  
9 customer council charters introduced by ministerial  
10 direction in the electricity industry. Sydney Water has  
11 been leading the charge. That is very pleasing.

12  
13 Having said all that, our written submissions to the  
14 tribunal on this review raise a few concerns and a few  
15 queries about the most recent round of reforms Sydney Water  
16 has undertaken. We are not completely convinced about the  
17 significant change in the number of customer councils. We  
18 understand that Sydney Water has gone through a lot of its  
19 own internal investigation and commissioned researchers in  
20 this area and believes it has come up with a good model.  
21 On the other hand, there is a question mark from our point  
22 of view about the changes being implemented even before the  
23 commencement of this review on the operating licence.

24  
25 We have got some other questions that we would have  
26 liked to have had teased out and answered. For example, if  
27 one or two permanent customer councils will be balanced up  
28 with another number of what has been described as single  
29 issue customer councils there is an issue, do the same  
30 sorts of terms and provisions apply? Will that charter  
31 apply to all those bodies? What sort of representation;  
32 how the members will be appointed? All those issues from  
33 our perspective are yet to be fully addressed.

34  
35 Probably the other concern that raises an eyebrow on  
36 our part is the short amount of time really that has  
37 elapsed since the last major overhaul of customer councils.  
38 A lot of effort was put into that process and I suppose it  
39 is just a question mark too about whether a lot of the  
40 reforms were given a chance to really get bedded down and  
41 to be observed as to whether they were working or not.

42  
43 All these things I am mentioning here, and a lot of  
44 points made in the earlier presentation, just really I  
45 think point to a lot of issues that are important and I  
46 suppose are close to my heart, but they are issues that are  
47 very, very difficult to regulate around and to be

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1 prescriptive around and say, this has to happen or that has  
2 to happen. Customer councils have a life of their own  
3 perhaps within the business that is setting them up. A lot  
4 of the activities of those customer councils go to issues  
5 of personalities and goodwill and so forth, things that are  
6 very difficult to regulate.

7  
8 As I say, on past practice we feel that Sydney Water  
9 certainly is comparative to other similar organisations and  
10 probably has gone about running its customer councils in a  
11 fairly proactive way. There is an issue about something  
12 different could be done about the customer council charter,  
13 whether that might be given a different sort of status  
14 which might perhaps underpin or I suppose elevate the  
15 necessity of certain areas of performance of customer  
16 councils being given greater weight. Again, I don't know  
17 that PIAC necessarily has a view on that. I don't know  
18 that we would say there is a right or wrong way to do it.  
19 We are happy for the tribunal to pursue that if it believes  
20 there is a requirement that there be one.

21  
22 How much of that detail should be in the licence I  
23 think is very difficult to say. Certainly in the  
24 electricity industry there is a pro forma charter and the  
25 Minister is required to sign off on any departures, if you  
26 like, from that charter which are made by any of the  
27 individual companies that run customer councils. That  
28 might perhaps provide a bit of a template for Sydney Water  
29 and for the tribunal to get a greater level of confidence.  
30 Should it be 9, 10, 12? I don't think there is an easy  
31 answer to that.

32  
33 If you look at electricity, EnergyAustralia has  
34 roughly a similar area of operation, one customer council.  
35 Country Energy, a much smaller number of customers, but  
36 it  
37 has I think four or five customer councils.

38 Certainly we would be keen to continue working with  
39 Sydney Water as we have done in recent years to support  
40 them and provide input into a system to continue to improve  
41 customer councils. As has been noted already, Sydney Water  
42 is doing work of its own volition anyway research in this  
43 area. So those are the concerns. I am not sure we have  
44 any answer on how to address them.

45  
46 The customer service indicators, we are on the record  
47 a number of times in the past saying that we support the

1 current indicators set down in the Minister's directive  
2 being included formally in the operating licence. That  
3 remains our position. We certainly look forward to reading  
4 the report from the consultants Harford about what they  
5 say about that issue.

6  
7 MR COX: Thank you very much. The next speaker is from  
8 the Western Sydney Customer Council, so would you be kind  
9 enough to introduce yourself.

10  
11 MS SCOTT: Good morning and thank you for giving me the  
12 opportunity to speak to you today. I am Betty Scott, a  
13 member of the former Western Sydney Customer Council. Our  
14 area stretched from Macarthur in the south-west to the Blue  
15 Mountains in the west and included the Nepean and upper  
16 Hawkesbury rivers.

17  
18 I am describing our customer council in the past tense  
19 because all five regional customer councils ceased  
20 operating at the end of last year and there are no plans to  
21 reconvene them. The corporate council and the industrial  
22 commercial council continue to operate and issues-based  
23 community groups will be established. But grassroots  
24 customer councils as existed previously have been  
25 abolished.

26  
27 This new Sydney water model does not allow for  
28 representation from domestic customers. I was interested  
29 to hear David say this morning, or make the point, that  
30 Sydney Water services 4m people, it uses community  
31 resources and it is trying to be successful for the  
32 community, yet the community at large, the grassroots, has  
33 been disenfranchised.

34  
35 We believe that there is a need for informed  
36 articulate representatives to provide input to Sydney  
37 Water. Their function would be to comment on Sydney Water  
38 plans and operations and to make suggestions that would be  
39 acknowledged and considered. Issues-based community  
40 groups  
41 would each comprise different sets of consumers who would  
42 need to be informed about the operations of Sydney Water  
43 every time a new group is convened. This would result in a  
44 lack of continuity.

45 Sydney Water Western Customer Council made a  
46 submission regarding the future of Sydney Water customer  
47 councils which was published on our web site. No doubt

1 many of you will have seen this. My colleague Tony Ross  
2 would have been here today but he is honeymooning in  
3 Tuscany so he is unavailable. I am sure that he will be  
4 interested to hear the result of what happened today.  
5  
6 I would now like to read our submission to you for  
7 those people who have not had the opportunity to see it yet  
8 on the web site.  
9  
10 This document outlines the preferred option for the  
11 future configuration of consumer councils within Sydney  
12 Water recommended by the final meeting of the Sydney  
13 Water  
14 Western Customer Council in October 2003.  
15  
16 Sydney Water's operating licence currently requires  
17 the corporation to establish and regularly consult with one  
18 or more customer councils. Sydney Water had seven customer  
19 councils. However, a recent external review, the Twyford  
20 report, recommended a reduction to one council. The  
21 reasons for the change are these: customer councils are  
22 not providing value to Sydney Water. That is on page 19 of  
23 the report. However, the report does not state how value  
24 is measured. Performance indicators need to be established  
25 and applied before this subjective judgment is accepted.  
26 If proven, an attempt to improve the operation of current  
27 councils should precede their abolition.  
28  
29 It is noted that in the 2002 auditors report for  
30 Sydney Water's operating licence, the reduction in customer  
31 council numbers from 9 to 7 was "viewed with concern".  
32  
33 The Twyford report makes four recommendations. It  
34 states that Sydney Water should, firstly, maintain one  
35 customer council to review proposed strategies; secondly,  
36 establish advisory groups for specific issues or major  
37 projects; thirdly, clarify the roles and responsibilities  
38 of staff and, fourthly, to develop an induction process for  
39 members of the customer council.  
40  
41 Sydney Water Western Customer Council's preferred  
42 model is this: first, subcatchment councils or advisory  
43 groups would continue to provide local knowledge and input  
44 to the peak council through their representatives and to  
45 establish a peak council comprising the following; a  
46 representative of each of the subcatchment councils plus  
47 representatives with particular interest and/or skill in  
48 drinking water, stormwater, sewerage, environment, customer

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1 relations and finance. On this peak council there should  
2 also be a representative of corporate customers, a  
3 representative of the board, a representative of executive  
4 management and a trained full-time coordinator.  
5  
6 The Twyford report noted that there were inadequate  
7 mechanisms to transfer customer council input to management  
8 and board and to provide feedback. If there were only one  
9 customer council, its members could not be expected to have  
10 an empathetic understanding of the problems and issues of  
11 the whole of Sydney Water's area.  
12  
13 The Sydney Water Western Customer Council does not  
14 support a single customer council unless it is underpinned  
15 by regional advisory groups. These groups would be aligned  
16 with the geographic areas covered by Sydney Water's area  
17 plans which outline their servicing strategies and customer  
18 and stakeholder expectations. There are different issues  
19 and emphases in different areas.  
20  
21 Then the submission goes on to outline how we would  
22 see the customer council operating and we talk about the  
23 appointment of members, a selection of members,  
24 performance, and meetings that would be conducted, but I  
25 will leave that for now. It would be better to leave that  
26 as we have the main argument ahead.  
27  
28 MR COX: Thank you very much. We will now move on to  
29 Angela Tsoukatos.  
30  
31 MS TSOUKATOS: Thank you. Clearly a lot of very important  
32 issues have been raised in this session. I will try and  
33 deal with them as systematically as I can, firstly by  
34 turning to EWON's concerns and then to talk about customer  
35 councils and customer service indicators.  
36  
37 I'm assuming that EWON is motivated by wanting to  
38 improve our performance in this area and the areas raised,  
39 which is a reasonable thing. I think it is important,  
40 though, that it be noted that a number of the requirements  
41 that EWON is suggesting need to be put in the customer  
42 contract actually reflect current practice.  
43  
44 I will just go through that so that we are all clear  
45 about what actually happens at the moment. The first one  
46 is the issue of no explicit requirement for Sydney Water to  
47 include in bills meter reading information. Although it is

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1 not a customer contract requirement, Sydney Water does  
2 provide meter reading information on bills. Sydney Water  
3 provides individually metered properties with a customer  
4 account that states their water usage and services charges.  
5 These accounts state meter reading information that aligns  
6 with the requirements for gas and electricity accounts as  
7 we know them. The information provided includes date of  
8 meter reading, current reading, last reading and  
9 consumption.

10  
11 For properties serviced by more than one meter, such  
12 as some business customers, the meter number is also  
13 included on the account to show consumption from each meter  
14 on the property. The only accounts that do not show meter  
15 reading information are accounts that are for service  
16 availability only. This is typically for properties that  
17 are unmetered or accounts that are not individually  
18 metered. I'm not sure that EWON was familiar with that,  
19 but I thought it was important that that be said for the  
20 record. So given that that is the practice, and that we  
21 are doing it, we question the need to put it in the  
22 customer contract, but clearly we are open-minded and happy  
23 to talk about that and to talk with stakeholders about  
24 that.

25  
26 The second issue is no explicit requirement for Sydney  
27 Water to include in bills charges of over and  
28 undercharging. Although not a customer contract  
29 requirement, Sydney Water does provide under and  
30 overcharging information on bills. Sydney Water provides  
31 an explanation on accounts for under and overcharging and,  
32 again, we believe that this aligns with what gas and  
33 electricity providers do.

34  
35 In fact, we have 17 individual adjustment types that  
36 appear on a customer account, such as water service  
37 adjustment, sewerage adjustment and stormwater adjustment.

38  
39 EWON also proposed modifications to the customer  
40 contract regarding recovering undercharged amounts to limit  
41 any retrospective recovery to a maximum of 12 months. It  
42 is Sydney Water's practice not to recover undercharged  
43 amounts from residential customers unless the customer has  
44 been deceptive in providing false information to Sydney  
45 Water or has performed an unauthorised connection. This is  
46 expressly required by the current customer contract.

47

1 However, for large customers, Sydney Water may seek to  
2 recover undercharged amounts. Unlike customer contracts  
3 for energy services, Sydney Water has one contract for all  
4 customers and needs to reserve the right to negotiate  
5 recovery of undercharged amounts from large business  
6 customers. So there are different requirements for  
7 residential and business customers. Again, based on  
8 current practices and what occurs, we don't think it is  
9 necessary for that requirement to be reflected in the  
10 customer contract. We see the issues from the  
11 stakeholder's perspective. Perhaps we need to talk and see  
12 whether there's something else from an administrative  
13 perspective to ensure that the assurances that are required  
14 are given.

15  
16 The third issue, as I understand it, is interest being  
17 charged on overdue accounts even where a customer  
18 experiencing financial hardship has agreed an extension or  
19 instalment plan with Sydney Water. The administration of  
20 interest charges has been reviewed and Sydney Water in fact  
21 intends to implement a new business practice commencing  
22 from 1 July this year. This will ensure customers that  
23 agreed deferred payment date or instalment plan does not  
24 attract interest for the period of the arrangement. IPART  
25 have suggested changing the customer contract to reflect  
26 the new process of charging interest. Again, because we  
27 are moving down this path, we don't think that that's  
28 warranted.

29  
30 The other issue that was touched on by Stephanie was  
31 the lack of consistency between the customer contract and  
32 the code of practice on debt and disconnection.  
33 We all know that the current contract was developed by  
34 IPART and is a couple of years old and it includes Sydney  
35 Water's code of practice on disconnection, the key aspects  
36 of that code.

37  
38 Sydney Water believes that when IPART wrote the  
39 customer contract it included all the significant elements  
40 of the code of practice. The code is not reproduced  
41 verbatim as the customer contract includes additional  
42 customer protection measures for disconnection, because the  
43 contract covers all customers. I won't go into those. I  
44 could do that, but I think I will be here all day.

45  
46 Turning now to customer councils. This is an issue  
47 that is quite near and dear to my heart as part of my role

1 at Sydney Water. I chair the corporate customer council  
2 and have done for five years. The review of the customer  
3 councils was motivated by a desire to ensure that we have  
4 relevant meaningful and cost-effective involvement in  
5 service provision. Since the councils were first  
6 established, the extent of community involvement in Sydney  
7 Water's decision-making, involvement in customer service  
8 strategies and involvement in major projects has expanded  
9 quite significantly. In fact, when we did the review of  
10 the customer councils we counted that at the time we  
11 actually had 80 community forums up and running and  
working

12 actively with the organisation advising us on major and  
13 minor capital works projects, and one of the things that  
14 we've actually found with the customer councils is given  
15 how that has evolved, given how we are required to consult  
16 and involve the community, particularly through  
17 environmental impact statement processes that are  
18 regulated, increasingly that has challenged the  
19 organisation and challenged us to actually think about how  
20 we have meaningful engagement.

21  
22 In the review that we commissioned we talked to  
23 council members and to Sydney Water staff and the view that  
24 was put forward was that if we were going to have effective  
25 engagement, that we did need to streamline the councils,  
26 that it was important, as Jim said, that they just don't  
27 take on a life of their own. It's important to have peak  
28 bodies represented on a corporate customer council, as we  
29 do when we are going to look to actually review our  
30 customer corporate council, but that they focus on specific  
31 issues. It could be area-based issues or it could be  
32 something like urban growth, which is a big issue for all  
33 of us, that they be given defined terms of reference, that  
34 they do a job and provide that meaningful input to  
35 Sydney Water and then we move onto the next issue, so that  
36 we don't get locked into providing support.

37  
38 One of the things that does happen is that we spend a  
39 lot of time in forums and meetings and feeling good about  
40 all of that, but not necessarily having meaningful  
41 engagement, which results in the organisation changing its  
42 customer service strategies, plans and decision-making. So  
43 it's motivated by trying to get something that's more  
44 effective and cost-effective.

45  
46 Having said all that, however, and what we are moving  
47 to at the moment is a review of our corporate customer

1 council, looking to set up advisory bodies that are linked  
2 to the key strategic issues for Sydney Water. We want to  
3 ensure that this is done in line with best practice and we  
4 can see that the licence could call-up the need  
5 for a charter. We caution against that being too  
6 prescriptive. For example, the issue of a co-chair was  
7 mentioned, or a community chair. I, as the chair of the  
8 corporate customer council, have put that to our council  
9 several times and they in fact have said that they don't  
10 favour that, that they don't have the time and resources to  
11 invest in taking on that function. So we just need to be a  
12 bit cautious in suggesting these things. They might sound  
13 good in theory, but in practice they don't actually work  
14 sometimes for those that we are seeking to engage.

15  
16 Just finishing off, the issue of customer service  
17 indicators was mentioned in the presentation. We believe  
18 that customer service indicators are important, they can  
19 provide IPART and stakeholders with meaningful information  
20 about what is occurring and they can provide information on  
21 trends. We are cautious about them being converted into  
22 de facto standards, and that there is a risk of that  
23 occurring if they are just arbitrarily put into the  
24 licence.

25  
26 We accept that appropriate standards should apply  
27 where the government wants clear expenditure drivers backed  
28 by strong licence sanctions and customers are willing to  
29 pay for Sydney Water meeting these requirements. I'm not  
30 sure that those things have been tested and I think they  
31 would need to be tested. I think, too, sometimes we look  
32 to other jurisdictions for this sort of information, which  
33 is a useful thing to do, and I understand that some of the  
34 suggested indicators have been imported from the UK. I  
35 think the experience that our customers have and the  
36 services we provide are quite different. We don't have a  
37 history of providing poor levels of service like they do in  
38 the UK. That poorly conceived indicators and standards can  
39 drive utilities to provide arbitrary service levels does  
40 not reflect good customer service. The classic is  
41 specifying that a call centre operator should answer a  
42 phone within a certain number of rings. It doesn't  
43 necessarily mean that when they actually answer the phone,  
44 the customer on the other end of the phone is actually  
45 going to get their issue dealt with and is going to get the  
46 customer service that they want and deserve.

47

1 We also have a very strong customer complaints  
2 handling framework. We understand that this is an issue  
3 that has arisen from the mid-term review and that IPART is  
4 required to look at it. We understand also that in the  
5 Hunter Water some indicators have been accepted, not so  
6 much as part of the licence framework, but part of the  
7 annual information return. So, therefore, the regulator  
8 gets the information, we can analyse that, understand the  
9 trends and then if down the track it is evident that  
10 standards need to be set, then that's a different issue.  
11  
12 MR COX: Thank you very much. We'll take further comments  
13 from members of the panel that they wish to offer.  
14  
15 MS HAMILTON-FOSTER: I would like to address a couple of  
16 things. EWON is very pleased at the news we've heard that  
17 there will be a change in the Sydney Water billing practice  
18 with the charging of late fees. It's been something that  
19 we raised a number of times and we're glad to see that  
20 that will be addressed. I think that's an excellent  
21 measure to providing a more equitable service for financially  
22 disadvantaged customers.  
23  
24 I will note that some of the issues that Angela raised  
25 about the meter readings and the requirements and the  
26 undercharged amounts, it should be clear from our  
27 submission that we have looked at some of the discrepancies  
28 between the documents and between the practice. EWON  
29 believes that it is essential to codify customer service  
30 protections. It is essential to have it set out in  
31 contracts and in documents and that has certainly been the  
32 practice with electricity and gas. We are pleased to see  
33 that Sydney Water is setting themselves some internal  
34 standards and some internal benchmarks.  
35  
36 Forgive EWON if we would like to see these things set  
37 in stone. If the contract is going to be the document that  
38 sets out your rights, your obligations, as a customer we  
39 believe it is timely that that the document be reviewed,  
40 that it reflect current practice and that any of these  
41 sorts of drafting issues, perhaps, should be dealt with.  
42 We certainly think that these are things that we can talk  
43 about with IPART and Sydney Water and we believe that some  
44 of these are minor issues that can easily be resolved.  
45  
46 We agreed with some of Jim comments that certainly the  
47 code of practice and procedure on debt disconnection is a

1 newer document and it will take a period of bedding down.  
2 We believe that this is an appropriate time to do this,  
3 when we are reviewing the operating licences. This is an  
4 appropriate time to cross the Ts and dot the Is, and we are  
5 happy to discuss these issues with IPART and Sydney Water  
6 at a later date.  
7

8 MR WELLSMORE: I will just reiterate the point that it  
9 might come across as a bit unfair for people to start  
10 trying to hit Sydney Water on the head for a few gaps in  
11 the wordings. Certainly, I agree with Amanda that now is a  
12 good time to probably address some of those. Really,  
13 again, to take the point that if practice is in fact  
14 supplementing what's in the written formal documents, then  
15 perhaps the formal documents ought to actually reflect what  
16 the real practice is, I suppose that is partly for  
17 consistency, but also partly so that in fact these sorts of  
18 misunderstandings or customers issues are more readily  
19 addressed before they escalate to the level of being a  
20 complaint or dispute or grumpier sort of going on about it  
21 in front of IPART again.  
22

23 MR COX: Any further comments,  
24

25 MS SCOTT: I would just like to go back to the point of  
26 Sydney Water disbanding the continuing customer councils  
27 that operate for two years. That was a two-year bid, so  
28 when it finished at the end of 2003 that was known at the  
29 time. The fact it doesn't fit in with this timetable is  
30 just a coincidence. There is nothing sinister in that,  
31 Jim, just that when it started in 2002 we knew it was for a  
32 two-year contract and that was it.  
33

34 It seems to me that this would be a tendency to throw  
35 away the expertise that has built up. It takes a couple of  
36 meetings to get the feel for how Sydney Water operates and  
37 so forth. Then to put that into practice to be more  
38 meaningful, if there is going to be continually a making of  
39 new groups to address specific issues, they are going to  
40 lose quite a bit of time and expertise in bringing them up  
41 to speed before they can make a meaningful contribution.  
42

43 MR COX: Any further comments? I wonder if someone  
44 sitting at the back of the room would like to make a  
45 comment at this stage on these issues? Okay, no.  
46

47 It seems to me, you can tell me if I have got things

1 wrong here, on the issues raised by EWON, some further  
2 discussions between us and you and Sydney Water will  
3 probably be the right way to address that.

4  
5 On the customer council issues, I appreciate the  
6 different views and concerns. I'm not so sure myself how  
7 that can be addressed through the operating licence.  
8 Perhaps someone would like to address themselves to that  
9 issue. It seems to me something that the operating licence  
10 may not be the right way to deal with it.

11  
12 On the customer service indicators, there seems to be  
13 some support for at least having audited data. Is that  
14 basically where we are? Thank you very much. That takes  
15 us to lunch, I think, so we have done very well. We'll  
16 resume at 2 o'clock for the infrastructure issues.

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18 LUNCHEON ADJOURNMENT  
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1 INFRASTRUCTURE PERFORMANCE

2  
3 MR COX: Ladies and gentlemen, I suggest that we resume  
4 now for the afternoon session. The first session is going  
5 to be on infrastructure performance. We are going to get a  
6 brief introduction from Felicity and also a presentation  
7 from Don Vincent of GHD.  
8 MS HALL: I'm the manager of the water licensing section  
9 for the secretariat of the tribunal. The management of  
10 infrastructure or assets is fundamental to ensure that  
11 Sydney Water provides a satisfactory level of service to  
12 its customers. From another perspective, the management of  
13 assets is important to ensure that Sydney Water protects  
14 public health, protects the environment and is itself a  
15 successful business.

16  
17 My presentation today is going to look at three  
18 issues. The first one is a bit of a history of what were  
19 the outcomes of the system performance standard reviews  
20 that have been conducted for both Sydney Water and for  
21 Hunter Water Corporation, to also discuss the issue of  
22 inclusion of performance indicators in the licence, and the  
23 third issue is the role of asset management requirements in  
24 the licence, and Don Vincent from GHD will be making a  
25 presentation in relation to this area.

26  
27 In 2001 the tribunal conducted a review of system  
28 performance standards in the operating licence for Sydney  
29 Water. There were essentially two key outcomes from this  
30 review. The first one was the existing performance  
31 standards were tightened. There are four performance  
32 standards in Sydney Water's licence which relate to water  
33 pressure, water continuity and sewage overflows. The other  
34 was a ministerial requirement for Sydney Water to collect  
35 system performance indicators and this requirement was from  
36 1 July 2001. For Hunter Water Corporation the tribunal  
37 conducted a similar review of system performance standards  
38 in 2002 and, similarly, the existing performance standards  
39 were tightened and, in this case, performance indicators  
40 were included in the operating licence.

41  
42 I thought it would be useful to outline a few  
43 ideas of why include system performance indicators in  
44 Sydney Water's operating licence. The first reason is that  
45 it acts as a surrogate for competition in the case of  
46 regulated monopolies. I'll just clarify this point  
47 further. In a competitive market there are strong

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1 incentives to provide a quality of service that satisfies  
2 customer needs and preferences. So if you are a customer  
3 that's not happy with the service, you can choose an  
4 alternative supplier of that service.  
5  
6 In the case of Sydney Water, it is a monopoly business  
7 and these incentives are not as strong. This creates a  
8 risk that other factors may drive business decisions,  
9 leading to a breakdown of system performance. So measuring  
10 system performance via standards and indicators is a  
11 regulatory tool that can be used to reduce risk.  
12 The second point is to inform and explain performance.  
13 Indicators can complement standards by providing additional  
14 information. I'd just like to give a simple example of  
15 this.  
16  
17 Sydney Water currently has a performance standard on  
18 interruptions to the water supply. This standard does not  
19 reveal whether certain customers experience repeat  
20 interruptions to their water supply, but you could put an  
21 indicator for repeat interruptions that could provide this  
22 additional information to help inform and explain  
23 performance. The third reason why you could include  
24 indicators in the licence is to allow consistent data to be  
25 reported and to be independently audited. So for these  
26 reasons, and to be consistent with the approach that's been  
27 used for Hunter Water Corporation, we believe that system  
28 performance indicators should be included in the operating  
29 licence for Sydney Water and the tribunal is currently in  
30 the process of developing a draft set of system performance  
31 indicators.  
32  
33 The third element of this presentation is  
34 to consider asset management requirements for the licence.  
35 Sydney Water's position is that these requirements should  
36 not be included in the licence, but all other stakeholders  
37 have put in submissions believing that asset management  
38 requirements should be included in some form.  
39  
40 Given these differing perspectives and views on asset  
41 management, the tribunal has engaged GHD to provide advice  
42 on options for including asset management obligations in  
43 the licence. I'll just outline the process here. We've  
44 released a draft report. It's now on the tribunal's web  
45 site. We welcome comments on that report and we are  
46 looking at releasing a final report in May. Now I'd like  
47 to invite Don Vincent from GHD to present the findings from

1 his report.  
2  
3 MR VINCENT: Thanks Felicity.  
4  
5 Firstly, I guess, there's really a need to define what  
6 assets are and what asset management is. Assets in this  
7 context are the physical assets comprising water and the  
8 sewage and the drainage systems, and the corporate assets  
9 of the business which might be buildings, depots and IT  
10 systems, for example. The definition in this case excludes  
11 catchment and natural resource assets. They are considered  
12 to be covered by other requirements within the licence, and  
13 there are issues with land ownership of the catchment areas  
14 and natural resources. So we won't deal with those in this  
15 context.  
16  
17 Asset management is more than just maintenance and  
18 replacement of assets. It considers the whole of the life  
19 cycle of assets from their conception, the idea and the  
20 need through the life of the assets to final disposal  
21 and/or replacement. Critical to the management asset  
22 decisions made along the way are the plans used to  
23 implement those decisions, taking a holistic view to the  
24 processes, practices, systems and plans which are used to  
25 manage the whole life cycle of assets.  
26  
27 In this regulatory review process we've looked at a  
28 number of things: the existing regulatory provisions in the  
29 licence and at the Acts, we have looked at other regulatory  
30 provisions by other regulators, submissions to the licence  
31 review process and also looked briefly at asset management  
32 in other regulatory jurisdictions. So, looking at the  
33 existing regulatory provisions, what's in the Sydney Water  
34 licence is not specific to asset management. There are  
35 general requirements in the Act and in the licence to  
36 construct, operate and maintain systems and works, and be a  
37 successful business.  
38  
39 In terms of monitoring and review of asset management,  
40 it is not specific; it's quite loose. Issues come up  
41 through the operational audits, through pricing reviews,  
42 through ministerial requirements - there is nothing  
43 particularly specific. As Felicity pointed out, in the  
44 submissions to the licence review Sydney Water made a  
45 position of no new provisions in the licence.  
46  
47 In terms of auditing, Sydney Water proposed that

1 audits be conducted on what's known as the WSAA  
2 benchmarking framework, the Water Services Association of  
3 Australia. That has a benchmarking framework that's just  
4 been developed and is now being implemented across a number  
5 of water authorities. Sydney Water also proposed to  
6 exclude stormwater generally from the licence and proposed  
7 a sustainability basis for performance.

8  
9 Most of the other stakeholder groups, government  
10 agencies and non-government agencies, all recommended or  
11 supported licence provisions for asset management and  
12 operational auditing for asset management for Sydney Water.  
13 The main issues raised in those submissions were confidence  
14 that Sydney Water was on the right track in terms of  
15 long-term management of its assets, and informing the  
16 community on where Sydney Water was with its asset  
17 management practices.

18  
19 As a result of that review, we found that there was  
20 some justification for a level of asset management  
21 regulation by Sydney Water. The need is really set out  
22 there in the slide. Currently there are no clear  
23 principles for asset management by Sydney Water in the  
24 licence, and asset management issues are raised generally  
25 in an ad hoc manner. Things like risk management for  
26 critical assets was identified as a gap in understanding by  
27 the external stakeholders. It doesn't necessarily mean  
28 that Sydney Water hadn't covered those issues, that the  
29 outputs come in because it is ad hoc, they are not directed  
30 to provide overall or continuing confidence to stakeholders  
31 in the asset management practices of Sydney Water.

32  
33 All of that means that there's also no consistency or  
34 predictability for Sydney Water in the process, and the  
35 other issue was, of course, just to ensure transparency and  
36 accountability of Sydney Water as a public authority and  
37 the need for them to demonstrate good governance in their  
38 practices.

39  
40 So driven by this need there was a need to provide  
41 some structure around an asset management regulatory  
42 framework, and this would provide a clear path to asset  
43 management regulation in the context with the overall  
44 regulation of water agencies. This comprised four matters:  
45 rationale, the regulatory principles, a set of objectives  
46 for asset management and actually some recommended asset  
47 management provisions. This is taking it down to a more

1 detailed level, I guess, than some of the other issues  
2 discussed here today. So there is, I guess, more  
3 opportunity for debate there.

4  
5 The rationale I think we have established in the  
6 previous slide. The regulatory principles, consistent with  
7 the principles of good regulation set up by the Australian  
8 Utilities Regulatory Forum, they cover such issues as  
9 transparency, accountability, efficiency and effectiveness  
10 and communication consultation. These are all issues that  
11 have been raised in the submissions. The objectives and  
12 the provisions I will cover now.

13  
14 The objectives we found from the process were largely  
15 these, and there's a common theme through the submissions  
16 that have been made. The first is to provide confidence  
17 that Sydney Water will manage its assets, firstly, to meet  
18 required service levels in the short and long-term, manage  
19 them efficiently and at a sustainable and affordable cost,  
20 and to effectively manage asset risk. That's two types of  
21 risk, both commercial risk, viability and asset or system  
22 failures and their consequences - the physical risk  
23 aspects. The second key area is to drive or facilitate  
24 continuous improvement in asset management and the third to  
25 provide adequate communication and transparency to  
26 stakeholders in the process.

27  
28 Given we've established those objectives, which we  
29 discussed with both Sydney Water and Sydney Catchment  
30 Authority, we can move on to look at options for asset  
31 management provisions in the operating licence.

32  
33 The options really aren't discrete, but they lie along  
34 a continuum from the current situation, or even no  
35 regulation, through to a very extensive and a heavy-handed  
36 regulation. We have to select a number of options along  
37 that continuum to evaluate and discuss, so we selected  
38 four. One was to stick with the current situation where  
39 there's basically no asset management provisions as such in  
40 the operating licence, no specific formal reporting for  
41 asset management and limited auditing. The second option  
42 was to have basic provisions for asset management in the  
43 licence covering basic obligations, a low-level reporting  
44 and auditing via the operational audit. Option three,  
45 which was to move through a higher level of reporting and  
46 monitoring, and option four, which is the office water  
47 regulation approach in the UK, where there is an extensive

1 asset management plan review, monitoring and reporting,  
2 bringing performance and pricing altogether.  
3  
4 The result of that evaluation was that we selected an  
5 option which delivered the objectives for regulation, but  
6 without imposing unnecessary burdens on Sydney Water in  
7 terms of outputs or audits. We expected that good asset  
8 management is something that Sydney Water would and should  
9 be practising in its business, and it's a matter of getting  
10 that transparency and communication into the process for  
11 asset management.  
12

13 So the recommended option is largely option two, and  
14 what I will do is just flesh that out briefly for you. The  
15 recommended option was to set up three components, which  
16 was the asset management obligations, reporting  
17 requirements, and the auditing report requirements.  
18 Firstly, the asset management obligations would cover asset  
19 management objectives of meeting service levels, both in  
20 the short and long-term, at a sustainable cost and managing  
21 asset risk and responding to emergencies and those sorts of  
22 issues. It would cover the whole of the asset life cycle  
23 from conception to disposal of the assets and integrate  
24 those with corporate and services obligations of Sydney  
25 Water. It would also cover all asset groups - water,  
26 sewage, drainage and the corporate asset of the business as  
27 well.  
28

29 The reporting requirements were to require the  
30 provision of an annual strategic asset management overview,  
31 or state of the assets report, which would provide  
32 information to stakeholders which we feel would be likely  
33 to be of interest to those stakeholders. That's subject to  
34 discussion, debate, and certainly looking for some feedback  
35 in the submissions. The report, by the way, explaining all  
36 of this is up on the tribunal's web site. The third area  
37 is the auditing asset management obligations, and specified  
38 areas of interest as part of the operational audit. So  
39 that was, in very brief terms, where we got to with asset  
40 management provisions in the licence. I will now throw it  
41 over to discussions, also covering the system performance  
42 indicators that Felicity was talking about, so these are  
43 the questions: should the licence include system  
44 performance indicators that are audited and reported  
45 through the licence, and the three areas of asset  
46 management relating to specific asset management provisions  
47 in the licence, should Sydney Water be required to provide

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1 any public reporting on asset management and what sort of  
2 level should that be at? Also should asset management be  
3 audited and what's the purpose of that audit? So over to  
4 you.  
5

6 MR COX: Thanks, Don, very much. I will now take comments  
7 and suggestions from members of the panel. This time, just  
8 to be different, we will start with Peter Prineas.  
9

10 MR PRINEAS: I was going to ask if we could be reminded  
11 what the additional requirements in option two would be?  
12 There was some additional reporting.  
13

14 MR VINCENT: In terms of the monitoring and reporting,  
15 again, we're looking at that overall strategic asset  
16 management overview. What we'd be expecting is that there  
17 be an outline of asset management processes, practices,  
18 systems and plans, as required by the licence, in terms of  
19 proposed requirements. There would be a description of  
20 each asset group and current and expected capability of  
21 assets to deliver the required services, any major issues  
22 or constraints impacting on current and future performance,  
23 and an outline on strategies proposed and expected  
24 long-term costs associated with future asset investment,  
25 and progress on implementation of asset management  
26 improvements. So they are the basic issues for discussion  
27 in terms of reporting.  
28

29 MR PRINEAS: So that's option three?  
30

31 MR VINCENT: No, option two.  
32

33 MR PRINEAS: What's the difference between two and three  
34 again, the main difference?  
35

36 MR VINCENT: Probably not a lot, to go to a more extensive  
37 level of review and monitoring of asset management plans.  
38 We are looking at this stage for really an outline covering  
39 those issues, but without getting to too detailed a level.  
40

41 MR PRINEAS: Thank you. Do you want me to talk about  
42 the  
43 asset management plan first, or the system performance  
44 indicators, or what?  
45

46 MR COX: Perhaps start with the system performance  
47 indicators and then move onto asset management.  
48

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1 MR PRINEAS: The question was asked should the operating  
2 licence include system performance indicators for the audit  
3 and report of the licence. The operating licence currently  
4 provides for system performance indicators and standards.  
5 It is hard to see how you could have a useful and effective  
6 operating licence that didn't continue to do that, so the  
7 question whether they should continue to be there, the  
8 Nature Conservation Council would answer yes.

9  
10 The current standards we don't have any serious  
11 problem with. The proposed indicators currently under  
12 review appears to be a draft list. Again, we don't have  
13 any problems with that, but we wonder when we would be able  
14 to see the concluded list of indicators, because this does  
15 appear still to be in a draft stage. At this stage, no,  
16 serious problems.

17  
18 In regard to system performance standards and  
19 indicators and the utility of them, it would be useful if  
20 we could have some comparability between Sydney Water and  
21 Hunter Water, and lo and behold we have this wonderful  
22 opportunity where we have David Evans heading up both  
23 organisations. So there is absolutely no problem and it  
24 can be achieved tomorrow, I'm sure.

25  
26 I think that would be highly useful reform, because if  
27 you don't have a comparison I think you are missing out on  
28 a lot of information. In relation to the asset management,  
29 the Nature Conservation Council agrees, and said so in its  
30 submission, that asset management provisions should be  
31 included in the Sydney Water's operating licence. Option  
32 two, which has been recommended by the consultant, which is  
33 more of a light touch, is probably okay, but we would want  
34 to know a bit more about option three which might flesh it  
35 out a bit more.

36  
37 It's getting a bit into management, but obviously you  
38 don't want the regulator managing Sydney Water directly  
39 through a highly detailed asset management regime, which  
40 leaves them no option to make decisions. So let's not do  
41 that. Probably four and five were not the way to go.  
42 Two or three seem to be ahead, but we'd like to know more  
43 about option three. That's all I have to say.

44  
45 MR MARTIN: I agree with a lot of the points that Peter has  
46 made. In relation to system performance indicators, we  
47 believe they should be in the licence and not just be the

1 indicators that are presently there. I think there would  
2 be great value in having Sydney Water report on a  
3 comparable set of indicators to Hunter Water based on the  
4 point of view of comparison between the organisation's  
5 performance, that organisations like ours in the community  
6 could get a handle on, just not the managing director, who  
7 I am sure has a good grasp of comparisons between the two  
8 organisations.

9  
10 There is great value in having comparability between  
11 those indicators, certainly in terms of looking at some of  
12 the issues such as repeat incidents, because there is the  
13 issue in the current standards within the licence that  
14 localised problems can be hidden amongst overall good  
15 performance so that high compliance can hide the fact that  
16 there might be areas where system performance is poor and  
17 localised areas where customers or the environment is  
18 having impacts upon them which are not acceptable but we  
19 won't pick them up from the present auditing regime.  
20 There does need to be some tightening of those.

21  
22 I certainly acknowledge that there is a need to  
23 rationalise some of the indicators that Sydney Water has to  
24 report against. We acknowledge in our submission that  
25 Sydney Water probably has too many indicators at present  
26 and there probably is an unnecessary burden on them.  
27 Certainly the volume of information that is presented now  
28 is such that it is not particularly accessible anyway and I  
29 doubt there would be many people outside the organisation  
30 itself, outside the tribunal too, that would have the time  
31 or inclination to pore through those sets of data and try  
32 to draw conclusions from them.

33  
34 We did not like some of the proposals that Sydney  
35 Water had for its sustainable score card in its  
36 submissions. The point there was not so much the nature of  
37 the indicators but how the headline indicators essentially  
38 would be audited and it would be more of a self-reporting  
39 framework for the supplementary indicators. We believe  
40 that is not an adequate level of auditing and  
41 accountability and we made that clear in our submission,  
42 that we believe that the full set of indicators should be  
43 subject to the operational audit.

44  
45 In terms of asset management I probably concur with  
46 Peter. We think there should be some requirements on asset  
47 management in the licence. The proposals that we have just

1 had outlined by GHD have a lot to recommend them but we  
2 would like to have a chance to look at the comparisons  
3 between options 2 and 3 to satisfy ourselves as to which  
4 would be the superior way to go.

5  
6 MR COX: Thank you very much. I now move around to  
Sydney

7 Water.

8  
9 MR EVANS: First of all, perhaps to deal with the system  
10 performance indicators first, we support the idea of giving  
11 the tribunal and the community a structured set of  
12 information about system performance and that the licence,  
13 providing the accuracy of that is audited so that everybody  
14 knows that they are getting something true and comparable,  
15 et cetera. That opens the door, as I said earlier, to the  
16 opportunity for that performance to be monitored and if it  
17 became necessary or desirable to elevate it into black  
18 letter standards that had to be met, et cetera, that could  
19 be done based on the information that was developed over  
20 time.

21  
22 That is reasonably noncontroversial and there is good  
23 transparency there. The issue that is more difficult but  
24 probably more important is what we call the asset  
25 management. Just to broaden that for a moment, asset  
26 management means lots of different things to different  
27 people. In the US, for example, it has become code for  
28 what we call regulatory and commercial reform over here, so  
29 it is a very broad concept which essentially goes to the  
30 heart of how you manage the utility.

31  
32 In the context I think we are discussing it here, it  
33 is essentially addressing the question of how do you  
34 satisfy the community that the \$20 billion worth of assets  
35 are being managed reasonably and that when you are making  
36 regulatory decisions, whether they be price or standard of  
37 service or whatever, you as the regulator are able to be  
38 well informed as to what the implications of those  
39 decisions are given that you have got this massive asset  
40 base which is very difficult to reproduce. It is a sunk  
41 asset base, usually over 80 or 100 years or something in  
42 that vicinity, and therefore playing around with what you  
43 ask it to do can be a very socially expensive activity.

44  
45 It is well in everyone's interest to be very clear  
46 about what happens if you start to prod that asset base. I  
47 make that point because I think the issue of how this

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1 matter ought to be considered goes beyond just what ought  
2 to be in a licence. It goes to, given the tribunal's quite  
3 broad role now as a price setter, a standard setter and a  
4 sort of auditor, what reasonably does the tribunal need to  
5 know about this thing called asset management in order to  
6 perform all three tasks; and how can that be best gleaned  
7 such to be of benefit to the tribunal and of benefit to the  
8 corporation because the corporation has to do asset  
9 management, it is probably its core single most important  
10 job, and also provide reasonable transparency more broadly  
11 to the community.

12  
13 In thinking about that I do have some concerns with us  
14 just focusing on "let's get something in the licence and do  
15 it every year" because it is a really big and complicated  
16 job and there may be a case for the tribunal at some level  
17 requiring the utilities to put forward an asset management  
18 plan and monitoring its effectiveness, but doing it say  
19 once every price path or once every operating licence  
20 period such that you get in there and really do it well  
21 focused on the decisions you were trying to reach as a  
22 result, say a price path, or you were considering a  
23 different standard, you would understand what the  
24 consequences were of bearing that standard, and then focus  
25 your energy say on returning to that issue every three or  
26 four years and doing the job, for want of a better term,  
27 thoroughly, rather than maybe some annual tick and flick  
28 exercise which may not necessarily of itself add to the  
29 stock of understanding of that.

30  
31 I thought we needed to just take one or two steps  
32 backwards and ask ourselves, which objectives are we trying  
33 to pursue here and how might you best do it. I would like  
34 to put that on the table.

35  
36 MR COX: Thank you. We will next move on to DIPNR.

37  
38 MS ALLEN: I am Kirsty Allen from the Department of  
39 Infrastructure, Planning and Resources. I am a director in  
40 the infrastructure coordination unit and I am responsible  
41 for delivering infrastructure strategy and strategic plans  
42 for the state. I am here in the capacity in terms of the  
43 infrastructure bit in the department.

44  
45 In relation to the performance indicators, I agree  
46 with the comment from the Total Environment Centre that  
47 centralising the indicators is warranted and taking on

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1 board the approach of the Hunter Water operating licence.  
2 This is just one issue that was mentioned in the submission  
3 we raised, that in terms of performance criteria relating  
4 to sewerage overflow activities, given that is regulated by  
5 DEC, I wonder if there is duplication there.

6  
7 Moving on to asset management, we are developing a  
8 state infrastructure strategy which outlines the outcomes  
9 or the drivers for state infrastructure delivery for the  
10 future. The state infrastructure strategic plan will  
11 articulate the Government's priorities over the next 10  
12 years. In developing the state infrastructure strategy we  
13 will be taking a total life cycle approach to  
14 infrastructure proposals from agencies and I wanted to  
15 stress that our approach is not a bottom up approach, it is  
16 an integration of top down and bottom up, so the  
17 infrastructure will be set against a context and that may  
18 be key issues to do with population growth or population  
19 decline, those sorts of issues.

20  
21 In looking at infrastructure for the future we are  
22 looking at trying to replace a system that is consistent  
23 for the sector. We will be asking for asset strategies  
24 from agencies on an annual basis in order for us to assist  
25 with the consideration of capital bids that come through on  
26 an annual basis leading up to the budget.

27  
28 I say all of this because it has a great context and  
29 nexus with the recommendations that have been made. What I  
30 am saying here is that for the first time the Government is  
31 looking to provide a policy context for infrastructure for  
32 the future and will be asking agencies for detailed  
33 information to assist with providing that context for the  
34 future. This has a bearing on what option is chosen and  
35 what assistance the department can provide the tribunal in  
36 terms of that context.

37  
38 MR COX: Thank you. Next we go to DEC.

39  
40  
41 MR WOODWARD: Joe Woodward, Executive Director of  
42 Operations for DEC. I am sorry I didn't get here this  
43 morning but we did have a representative here this morning  
44 as well. I understand there was a discussion this morning  
45 about some of the regulatory context that is in Sydney  
46 Water and the operating licence so I will not go over that.  
47 We do acknowledge the challenges of operating in a changing

1 regulatory framework as occurring at the moment.

2  
3 We agree that the aging assets and growing demands on  
4 the system highlight the need to incorporate a new asset  
5 management framework within the operating licence. We are  
6 keen to see an effective asset management system in place  
7 to avoid significant environmental risk that can occur as a  
8 result of system failure or asset failure, and also systems  
9 operating efficiently which minimise losses and make the  
10 most of in essence scarce water resources, for example,  
11 through effluent reuse.

12  
13 In terms of the system performance indicators, we note  
14 Sydney Water's recommendations in relation to that and also  
15 the Hunter Water licence which focuses largely on the level  
16 and quality of the services received by customers bearing  
17 in mind the frequency of interruptions and also major  
18 incidents.

19  
20 I suppose the system performance indicators don't  
21 really give a good indication of the condition of the  
22 assets. It is more about the service delivery, I suppose,  
23 and also those system indicators don't necessarily for the  
24 Hunter as I understand it pick up stormwater; is that  
25 correct? .

26  
27 MS HALL: They don't.

28  
29 MR WOODWARD: That is why we, along with others, believe  
30 that there should be some ability in the operating licence  
31 to deal with asset management. We know that Sydney Water  
32 has recommended that it should independently audit the  
33 asset management performance against the WSAA. We think  
34 that the WSAA is probably too narrow. For example, it  
35 focuses primarily on the ability of the current system to  
36 meet the peak capacity. We do note that it is being  
37 revised at the moment. But we have looked at that and we  
38 believe the proposal for the revision of WSAA would still  
39 be too narrow to give sufficient advice on the asset  
40 condition.

41  
42 Our main concerns are that information concerning in  
43 essence the state of Sydney Water's infrastructure assets  
44 is not readily available and that the community relies on  
45 all of us to manage it over the long term and the community  
46 relies on government regulators making informed decisions  
47 about the type of regulation that is required.

1  
2 As David said, Sydney Water has an enormous asset base  
3 and therefore it is important that we do provide the  
4 community confidence about it in terms of its long-term  
5 management. For these reasons our submission recommends  
6 that both performance standards and asset management  
7 procedures should be included. We recommend that asset  
8 management requirements in the operating licence should  
9 include both performance outcomes and also procedural  
10 requirements as well as managing risk.

11  
12 The asset management framework should support the  
13 shift to least cost planning and integrated water cycle  
14 management, and transparent information of the state's  
15 assets wealth will help guide decisions for optimal  
16 development, including demand management as well. The  
17 recommendation for procedural requirements is about having  
18 transparent information on the state of the assets and also  
19 information necessary to be able to develop an effective  
20 system for performance standards, for example, requiring  
21 assets in various classifications not to exceed a  
22 percentage of the total asset base.

23  
24 Service performance standards pick up on the current  
25 impacts of the system on customers but in essence we need  
26 to put a bit more focus on the management of the assets and  
27 risk over time, which is not necessarily picked up by the  
28 service performance standards.

29  
30 The service reliability, which is largely measured by  
31 the performance system standards, is important, as I said,  
32 but we believe, or we are concerned, about ensuring the  
33 system is already in place to manage the long-term  
34 performance and particularly the risk of failure. We  
35 believe the asset management framework should ensure that  
36 the basic following information is included, and that is,  
37 an inventory of Sydney Water's assets, the location of the  
38 assets; the classification system that indicates when  
39 investment is required, and I suppose that is the state of  
40 the assets that GHD was talking about; the asset capacity  
41 and also the rate of failure. This does not necessarily  
42 mean that IPART needs to micro manage the assets.

43  
44 Clearer information, criteria and processes would  
45 assist IPART in assessing whether Sydney Water's investment  
46 decisions produced the most efficient outcomes for the  
47 community, including environmental outcomes. This

1 information could then assist with the development of  
2 performance targets down the track as well.

3  
4 In relation to risk management, it is our view that  
5 other submissions have tended to not look sufficiently at  
6 the impact of potential asset failure. We have previously  
7 expressed concerns about the current rate of capital  
8 expenditure on asset maintenance and renewal and that may  
9 not be possible to maintain long-term serviceability of the  
10 total assets. For example, we have indicated the  
11 Shoalhaven sewerage treatment system had 0 wet weather  
12 overflow benchmarks, but if you look at that over the last  
13 10 years that has increased rather than being reduced.

14  
15 Asset failure has the potential to impose quite  
16 considerable environmental health and financial costs on  
17 the community. Our submission details some examples both  
18 here and overseas where significant environmental health  
19 and amenity costs have resulted from equipment failures and  
20 inadequate monitoring such as the Adelaide big pong and  
21 also the failure of the UK sewerage system, so it is  
22 important to have processes for managing risk to prevent or  
23 minimise these major failures that may occur.

24  
25 The asset management framework we believe should be  
26 linked to IPART's pricing review to inform IPART's  
27 assessment of what investment is sufficient and that Sydney  
28 Water should then be required to demonstrate that the  
29 improved capital allocations have been applied for the  
30 purpose intended by the price path.

31  
32 There are clear links between how these assets are  
33 managed and how future investments occur in managing the  
34 supply and demand. While these issues will be discussed  
35 more in our follow-up submission to IPART we believe the  
36 asset management framework should ensure that demand  
37 management options are also considered on a level footing  
38 with supply augmentation within the framework, not as an  
39 add-on to the framework.

40  
41 Hunter Water's operating licence contains a  
42 requirement for integrated water resources plans which we  
43 do think provides a good framework for long-term water  
44 resource planning. It seeks to identify the optimum  
45 solution for managing future water needs by examining water  
46 supply and demand options. Hunter Water is explicitly  
47 required to adopt the least cost option resulting from this

1 analysis.

2  
3 We do consider that stormwater assets should be  
4 included as part of the asset management framework.  
5 Provisions specific to stormwater should ensure that  
6 stormwater impacts on the environment are minimised and  
7 require Sydney Water to work with relevant other  
8 authorities such as local councils to address flooding and  
9 catchment issues in a coordinated manner.

10  
11 MR COX: Thank you. Next is EWON.

12  
13 MS HAMILTON-FOSTER: We would just like to make some  
14 brief  
15 comments on the system performance standards and indicators  
16 from our perspective as an external dispute resolution body  
17 for customers of Hunter Water and Sydney Water.

18 Firstly, we do recognise that Sydney Water has  
19 comfortably met the current performance standards in the  
20 licence and we certainly agree with the tribunal and other  
21 stakeholders here today who have suggested that additional  
22 indicators might be required to give us a more  
23 comprehensive picture of performance to enable better  
24 comparisons between the utilities and to ensure that its  
25 meeting comfortably the performance indicators doesn't not  
26 take account of systemic or localised issues. For example,  
27 when we look at Sydney Water's performance against sewerage  
28 overflows on private land, while we concede they  
29 comfortably meet the system performance, we are still  
30 talking over 20,000 customers who have been inconvenienced.  
31 We believes that reporting against system performance  
32 indicators can assist Sydney Water and its customers to  
33 identify and remedy localised problems and we believe that  
34 the system performance indicators should be used to drive  
35 business and service improvement for customers.

36  
37 We support the draft indicators that the tribunal has  
38 put out and we are particularly supportive of the focus on  
39 repeat events, as we do believe that looking at systemic  
40 problems and customers who regularly have perhaps lower  
41 than minimum standards of service is a very important area  
42 of our work and is a very important customer service  
43 delivery by Sydney Water. So we certainly support the  
44 inclusion of the indicators if they can be used to drive  
45 improvement for customers.

46  
47 MR COX: Thank you. Now to Jim Wellsmore.

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1

2 MR WELLSMORE: On performance standards, we don't have  
3 enough information as PIAC at this stage to suggest or to  
4 argue that there should be significant change to them. It  
5 is probably something that can only come from more  
6 information through the performance indicators and  
7 specifically through reporting against asset management.  
8

9 The question is, when should the system performance  
10 standards be reviewed. Now is probably the appropriate  
11 time to do that but certainly from our perspective I don't  
12 think there is enough information at this stage, or to put  
13 that another way, we don't think there is any compelling  
14 argument to change the performance standards at this stage.  
15 It is probably a matter for the end-of-term review of the  
16 operating licence, I would think, unless something emerges  
17 in the mid-term review, but it should be done sort of in a  
18 planned and sensible rational way and, given the long life  
19 of most of the assets that we are talking about here, there  
20 probably isn't any particular urgency in the next six weeks  
21 or 12 months to do that.

22  
23 Having said that, very much our view on these  
24 questions is informed by the nature of the assets that we  
25 are dealing with, not just their long life but obviously  
26 the size of the outlay, the replacement cost, if you like,  
27 of the sunk investment. It is an enormous amount of  
28 infrastructure that we are discussing so we are very keen  
29 to see performance indicators being used in an effective  
30 way and being used to collect information that is going to  
31 allow for informed debate, certainly for the tribunal but  
32 amongst the wider community, and that needs to be on what  
33 ought to be done and what could be done.

34  
35 We are on the record as supporting the inclusion in  
36 the licence of the system performance indicators and I  
37 suppose it goes back to the comment I made earlier that if  
38 Sydney Water is already doing all these things then I don't  
39 really perceive it as a barrier to formalising it. If  
40 there is already a requirement that the indicators are to  
41 be reported then formalising it and putting it in the  
42 licence and making it transparent, making it obvious to the  
43 community, I think is a small step.

44  
45 There are no extra costs as far as I can tell for  
46 Sydney Water in including the performance indicators in the  
47 licence. It might be that over time there needs to be some

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1 change to the indicators and that might incur some costs,  
2 but weighed up against the size of the business and the  
3 size of the assets we are talking about and the nature of  
4 water being an essential service for residential users, I  
5 think that is easy to justify. Certainly our interest in  
6 performance indicators is probably more directed towards  
7 the social side and in terms of the score card. We have  
8 read that and responded to those sorts of proposals on the  
9 basis of what we believe are the importance of social  
10 issues to be taken into account.

11  
12 I will happily leave environmental issues to my  
13 more learned colleagues in the next session I think.

14  
15 That brings me just to finish off on asset management  
16 reporting. We are very keen on this and I suppose again it  
17 is a question of keeping in mind the size of assets as a  
18 whole of Sydney Water's sunk investment, a very, very  
19 critical infrastructure for the community. I bear in mind  
20 something that a former MD of Sydney Water had to say at an  
21 earlier version of one of these meetings looking at the  
22 operating licence. There was a discussion about rebates on  
23 the customer contract and the MD at the time went to some  
24 pains to make the point that, look, you don't need rebates  
25 to ensure that good asset management was being undertaken,  
26 IPART set the capex targets and that was all fine and  
27 dandy, and it all worked well. I didn't necessarily want  
28 to question the former MD at that time but I was pleased  
29 that the tribunal is looking to becoming more informed  
30 about asset management practices within Sydney Water to  
31 shed a little bit more light on that.

32  
33 Certainly our observation is that by contrast with the  
34 electricity industry there is perhaps not as much reporting  
35 or accountability or sort of forward planning in public, so  
36 given the size of assets, the amount of money that is  
37 there, we think it is a good step if the tribunal is able  
38 to be more comfortable, with the consequence of the  
39 community being more comfortable about asset planning and  
40 management that is being undertaken by Sydney Water - and  
41 to a very high standard I have no doubt.

42  
43 The only other question is, how do you do it? That is  
44 the easy part, I assume. Looking at the options that GHD  
45 has put up, we will certainly give feedback about them. I  
46 suspect that option two at this stage looks somewhere in  
47 the vicinity of the right sort of mix for us. There is a

1 balance to be struck always, in this case between being too  
2 cautious and not perhaps driving any real sort of  
3 improvement or any real change on the one hand, on the  
4 other hand being too radical, and micro management is the  
5 risk, but also just imposing too much on Sydney Water in  
6 terms of requirements and coming up with the answers to  
7 questions that we are not even sure why we are asking them.  
8 So there is a balance to be struck there.

9  
10 I am interested in David's thoughts about the timing  
11 of this reporting. I suppose from our perspective, again  
12 annual reporting, if you say it quickly enough it sounds  
13 really good, but there are two riders to that. We probably  
14 would feel that reporting around the conclusion of each  
15 licence term, in other words, in preparation for the  
16 commencement of the next licence term, would probably be  
17 the most appropriate. I say that because given the fairly  
18 long life of most of these assets, there ought not be  
19 significant or alarming changes on a year-to-year basis and  
20 given the amount of time that is required often for  
21 planning and construction and so on, again every four or  
22 five years is probably going to be enough.

23  
24 That will also tend to be more consistent with the  
25 electricity industry. Having said that, the community  
26 organisations are probably a little bit shocked at the  
27 fairly large rising capex that the electricity distribution  
28 industry is asking for and I suppose one would have thought  
29 that, given the long life of the assets, et cetera, that we  
30 would not have these enormous hikes every five years, but  
31 balance that against the idea, do we come here every single  
32 year to talk about asset plans, what has changed in the  
33 last 12 months I suspect, so it may be that every four or  
34 five years is the right sort of number.

35  
36 Just to finish off, I guess the point of it is  
37 that we are sort of striking down into some sort of new  
38 ground here, and although there is a lot of detail still to  
39 be sorted out, we are very supportive of asset management  
40 reporting. I don't think that whatever comes down for the  
41 next licence is going to be the end of the story. I would  
42 expect there would be quite some room for development and  
43 evolution of the process moving forward to the licence  
44 after that.

45  
46 MR COX: Thank you very much. I'd now like to ask Don  
47 whether he wants to comment on the discussion, particularly

1 some of the alternative options that were suggested by  
2 people - for example, the emphasis on an asset management  
3 plan. Then I'll ask Mr Evans whether he has anything, and  
4 then we'll have a discussion.

5  
6 MR VINCENT: The options, including option three, are  
7 explored with a little bit more detail in the report which  
8 is on the web site. There is probably not a great deal of  
9 difference between options two and three.

10  
11 Option three, I guess, provided a higher level of  
12 reporting. We felt in the review there was not a lot of  
13 value in that, that an overview of the processes, the plans  
14 and the strategies by Sydney Water was really adequate to  
15 provide that level of communication and information to  
16 stakeholders, and that the operational audit and how often  
17 that's addressed is open to debate. The operational audit  
18 would cover it in more detail and provide that independent  
19 validation of the process.

20  
21 Apart from that, there's probably not much more I need  
22 to add at stage, unless there's any other specific  
23 questions. I will leave it to David.

24  
25 MR EVANS: I think we're all participating in the right  
26 spirit here, trying to get the right long-term information  
27 out there and the right long-term decision making where you  
28 marry decision making with the regulator and the service  
29 deliverer in the way the community looks in from the side  
30 and says "That looks about right." That's the journey I  
31 think we are talking about, a sort of a second generation  
32 journey of all this stuff that previously, you know, we've  
33 done in the last 10 years. I think we need to think  
34 carefully about that and for that reason, because I believe  
35 it is sort of a next generation issue, I'm not keen on a  
36 simple annual quick look, because I think this is a  
37 long-term industry with lots of long-life assets.

38  
39 Speaking to someone who lives inside it, I think this  
40 is a bit of a risk that as we accumulate all of the things  
41 that have to be done annually and add too many on, you run  
42 the risk that the places start getting managed annually,  
43 and that's not what we want: we want it managed into  
44 generations. I think we have to think carefully about this  
45 cumulative impact of requests and the sort of signal that  
46 sends to people within the organisations.

47  
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1 I think the other comment I'd like to make is that we  
2 should also recognise that we have quite a lot of time  
3 series data now on system performance, and whilst we all  
4 know that it takes time - say there was asset neglect or  
5 under-expenditure people might fear, it takes time for that  
6 to show up. I think we do have time series data now which  
7 I think would be available to the tribunal on system  
8 performance, which goes back probably 15 years, and  
9 probably could be extended longer.

10  
11 Another five years to that will be 20 years, and that  
12 time series data does give you some indication as to  
13 whether this sort of neglect phenomena is occurring,  
14 because it does tell you how outcomes are evolving and on  
15 my understanding of most of that data the outcomes are  
16 generally getting better and not worse, and quite  
17 substantially better.

18  
19 So I think we should not rush into this new generation  
20 of issues on the assumption that we must very quickly get  
21 something in case something awful happens, you know. I  
22 don't believe we should come at it from that mindset. We  
23 should come at it from the mindset of what is the shared  
24 systematic information we need to have to take the next  
25 steps in the improvement of how these places work. I think  
26 that goes to the heart of pricing decisions and community  
27 acceptance of standards of service and pricing outcomes, et  
28 cetera.

29  
30 Basically in the last 10 years it's been possible to  
31 offer up price reduction activity steadily because there's  
32 been such historical opportunity for operating cost  
33 reductions because of technological changes being delayed  
34 previously and over-resourcing and all those things. A lot  
35 of that has been dealt with to a degree, to quite a  
36 substantial degree, and therefore we are in a period now  
37 where I believe we have to be sort of more intelligent  
38 about how we manage to meet the community expectation,  
39 because it isn't going to be a simple matter to offer up  
40 the CPI minuses arising from the fact that you have  
41 downsized the labour force.

42  
43 So, as I say, I think we are at the cusp of having to  
44 work and wanting to move to a sort of more sophisticated  
45 approach and getting this asset management question right  
46 is pretty central to that.

47  
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1 MR COX: I will be interested in further comments from  
2 members of the panel.

3  
4 MR PRINEAS: Can I just make a quick comment. I do think  
5 we need to seriously address asset management from an  
6 environmental perspective because, as was pointed out from  
7 Joe Woodward from the Department of Environment  
8 Conservation, we are spending a lot of effort trying to  
9 plug leaks in the system and if you have actually a  
10 failure, that's a leak.

11  
12 That's something you want to avoid and we don't want a  
13 system like a sewage system failing and polluting, if we  
14 can possibly avoid it. It seems to me that there is some  
15 resistance perhaps from Sydney Water at being overmanaged,  
16 which I can understand, but I think think if we look at the  
17 system performance indicators which we've already got, and  
18 which nobody thinks is terribly onerous to report on, what  
19 you have got there is a set of indicators that are telling  
20 you something about your assets, their condition, whether  
21 they are performing or not. But they don't tell you  
22 anything about risk, or give you some prospective handle on  
23 how they might go in the future.

24  
25 Perhaps we need some more system performance  
26 indicators that would give you a look into the future of  
27 your asset performance. Perhaps things like capital  
28 expenditure on asset management might be in there as one of  
29 your performance indicators. People who are more familiar  
30 with this area might think of some others, but I would  
31 imagine that CAPEX would be an important one.

32  
33 I would offer that as a minimalist approach, but not  
34 that I'm giving up on the idea of having some kind of an  
35 asset management program with some reporting which has  
36 been recommended by the consultant, and the NCC will look at the  
37 report and provide some further information on our views  
38 about that.

39  
40 MR COX: Thank you. Any further comments? Would some  
41 of the audience like to make a comment at this stage?

42  
43 MR COX: Okay. Perhaps we can move to wrap up this  
44 session, which I think has been very useful and interesting  
45 from our perspective. It seems to me that as to  
46 performance indicators, there is a fair degree of agreement  
47 that basically what we should be doing is trying to collect

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1 additional information, and it has been indicated the  
2 Hunter is already collecting.

3  
4 On asset management I think there is very strong  
5 agreement that there needs to be something, but it seems to  
6 me we need a fair amount of further work and as to exactly  
7 what that something is. Obviously it's an area where we'll  
8 be particularly interested in further submissions, should  
9 people choose to make them. I think we are now having  
10 afternoon tea.

11  
12 SHORT ADJOURNMENT

13  
14 ENVIRONMENTAL ISSUES

15  
16 MR COX: Ladies and gentlemen, we'll now resume with  
17 the session on environmental issues. Once again, we will have  
18 a pre-presentation by Michael Sedwell and then there will  
19 be presentations from the panel members.

20  
21 MR SEDWELL: As Jim said, my name is Michael Sedwell, I  
22 work for the tribunal and I am going to present on some of  
23 the environmental issues in Sydney Water's operating  
24 licence. There are a lot of different environmental  
25 requirements currently in Part 9 of the licence, but I  
26 will try and get through them as quickly as I can.

27  
28 Firstly, just a bit of an overview. You normally  
29 associate environmental regulation in New South Wales with  
30 DEC, formally known as the EPA. DEC is certainly heavily  
31 involved in regulating and licensing Sydney Water sewage  
32 system and reducing the impact of pollution from the  
33 system. However, what's not always realised is that the  
34 operating licence itself is also an important instrument in  
35 regulating Sydney Water's environmental performance,  
36 particularly in the areas that aren't regulated directly by  
37 DEC.

38  
39 Some examples of those areas include energy management  
40 and water conservation. Currently the water conservation  
41 targets are in the licence. It also has quite a lot of  
42 detail about public reporting of the Sydney Water's  
43 environmental performance, mainly through things like the  
44 environment plan and the environmental and ESD indicators.

45  
46 Just to quickly summarise Sydney Water's current  
47 licence obligations; to comply with the government energy

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1 management policy targets, also known as the GEMP targets,  
2 to report on performance against the Botany Wetlands plan  
3 management, to prepare a five-year environmental plan and  
4 to report against a suite of environmental and ESD  
5 indicators. Part 9 also requires Sydney Water to have in  
6 place a trade waste policy and management plan and also to  
7 report on performance against pollution targets set by DEC.  
8 I'm going to talk about those particular issues more in the  
9 context of the environmental indicators.

11 On to energy management. As I said before, Sydney  
12 Water's currently required to meet GEMP's targets for  
13 energy management. They require a 15 per cent reduction in  
14 building energy consumption by 2001. That 15 per cent  
15 reduction is measured from 1995 levels. Looking forward,  
16 there is also a 25 per cent reduction in building energy  
17 consumption required by 2005. Sydney Water has fairly  
18 comfortably met the 2001 target and, as I understand it,  
19 are progressing quite well towards meeting the 2005 target.

21 One issue with the GEMP targets is that they measure  
22 building energy consumption, and the definition of  
23 "building" used under the GEMP policy excludes operational  
24 facilities such as sewage treatment plants or pumping  
25 stations. This means that they are building energy  
26 consumption as defined and the targets is really only 4 per  
27 cent of Sydney Water's total energy consumption. I have a  
28 graph showing that. The red columns are building energy  
29 consumption, and you probably can't see, but it has  
30 declined in line with the GEMP targets, whereas the yellow  
31 columns represent total energy consumption by Sydney Water  
32 and that has risen over four years.

34 In terms of the stakeholder submissions on this issue,  
35 there's been quite a range. If you look at the DEC and the  
36 Sydney Water submission, they essentially say the GEMP  
37 target should be retained, but there also should be  
38 additional reporting via indicators on things like energy  
39 use and also greenhouse gas emissions. The environment  
40 groups in their submissions call for binding green power  
41 and energy use targets to be included in the licence.

43 Moving to Botany Wetlands plan of management. This is  
44 an area of land and ponds occupying about 220 hectares.  
45 The area is predominantly used by three golf courses,  
46 Eastlakes, The Lakes and Bonnydoon. The wetlands are owned  
47 by Sydney Water really because of historical reasons. They

1 are one of Sydney's earliest water supplies. Essentially  
2 now, in terms of the Sydney Water use, they are part of the  
3 stormwater system. The licence currently requires Sydney  
4 Water to have in place a plan of management. Progress  
5 against the plan is set as part of the annual audit.

7 I guess the tribunal's issues paper on this is to  
8 really question whether the Wetlands was such a  
9 sufficiently important business activity to warrant its  
10 inclusion in the operating licence. Again, there have been  
11 some mixed views expressed on this. Some of the  
12 stakeholders feel that the wetlands aren't really a core  
13 business concern and, as such, should not be included in  
14 the licence, whereas some of the stakeholders argue that  
15 its inclusion in the licence provided basically a structure  
16 and some impetus to improvements of the conditions of the  
17 wetlands and these stakeholders question whether this will  
18 continue if the licence obligations are removed.

20 On to the environment plan now. Sydney Water's  
21 currently required to produce a five-year environment plan  
22 which sets environmental targets, and is incorporated into  
23 internal business plans. Sydney Water argues that the  
24 current arrangements are overly prescriptive. That  
25 relates, really, to the fact that if you change the plan at  
26 all, you are required to undergo a process of public  
27 consultation. Sydney Water argue that this makes it quite  
28 difficult to update or remove redundant provisions in the  
29 environment plan. Sydney Water proposes that this licence  
30 requirement be removed and replaced with a requirement for  
31 Sydney Water to maintain an internationally certified  
32 environmental management system.

34 If you talk to Tony Richards from Sydney Water, he'll  
35 tell you an environmental management system is a systematic  
36 way of identifying and addressing the environmental risks  
37 and impact.

39 We also understand from discussions, though it's not  
40 clear in their submission, that if you have a certified  
41 environmental management system, it also means that you  
42 must have an environment plan, an environment plan would be  
43 a public document. The big difference between that  
44 environment plan and the status quo in the licence is that  
45 it would be a non-statutory environment plan and, as such,  
46 Sydney Water would have more flexibility in terms of  
47 amending it.

1  
2 The final issue I wanted to talk about is the  
3 environmental and ESD indicators. Sydney Water is required  
4 to a public report against a suite of environmental and ESD  
5 indicators. Also it is important to note the environmental  
6 indicators are also a specific requirement of the Sydney  
7 Water Act.

8  
9 In terms of the end-term review of the licence, one  
10 component of the end-term review which is spelt out in the  
11 licence is that IPART is required to review both sets of  
12 indicators as part of the process. In order to do that,  
13 and to get some expert advice, IPART have engaged GHD.

14 GHD  
15 have produced two draft reports, but the latest draft  
16 report is currently displayed on the tribunal's web site  
17 and we are seeking public comment, obviously, on the  
18 contents of that report.

19 To talk a little bit about the report and the review  
20 process I'd like to invite Ross Woodward from GHD to have  
21 a  
22 chat to us.

23 MR WOODWARD: Thanks Michael. Good afternoon. I'm  
24 Ross

25 Woodward from GHD. I've spent six years in Sydney Water,  
26 three years with the EPA, and for the last three years have  
27 done the environmental audit on the environmental  
28 indicators for IPART.

29 Why review the indicators and why have environmental  
30 indicators? The Sydney Water Act, section 14, requires the  
31 operating licence to include terms and conditions relating  
32 to the environmental indicators. It requires, firstly,  
33 that indicators are compiled of the direct impact on the  
34 environment. Secondly, it requires the preparation of an  
35 annual report on those indicators. Thirdly, that report  
36 has to provide a year-to-year comparison for indicators,  
37 and these three aspects were the prime, I guess, directions  
38 to us to consider in reviewing and developing new  
39 indicators. Whatever indicators were developed had to  
40 comply with these three legislative requirements. So these  
41 three requirements essentially drive the environmental  
42 indicators in the licence.

43  
44 What is the current issue about the environmental  
45 indicators that are currently being reported? At the  
46 moment everybody I think would agree, and certainly the  
47 submissions to this review agree, that there were far too

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1 many indicators. At the moment this's probably over a  
2 thousand data sets. It's probably more like 1300 data sets  
3 that need to be reported. They are overly technical and  
4 many of the indicators relate to a specific chemical in a  
5 specific part of the environment. So it might be a  
6 particular organic chemical in sediment next to a sewage  
7 overflow; it's that precise. They are difficult to report  
8 on. Sydney Water currently endeavour to report on probably  
9 98 per cent of these indicators. It's a mammoth and costly  
10 exercise. They are certainly difficult to comprehend.  
11 There are so many indicators and many of them are so  
12 technical with specific chemicals in specific environmental  
13 components that to a lay person they are just impossible to  
14 understand and they require a lot of expertise in  
15 interpretation.

16  
17 Some data is not currently being reported, which is  
18 required under the licence, and Sydney Water and the  
19 auditor have had this ongoing conversation about what  
20 should be reported and what shouldn't be reported and how  
21 should the licence be interpreted. At the moment, the  
22 indicators, the ESD indicators are in two sets of reports,  
23 and I was going to bring the reports along today, but I  
24 would have had to have carried them about half a kilometre.  
25 I would have needed a trolley. For those who have not seen  
26 the environmental indicators reports, last year it was  
27 three volumes that thick. The ESD report is much thinner,  
28 for those who have not seen it. So there are real problems  
29 in reading the reports and understanding them.

30  
31 In fact, through Sydney Water's own monitoring of  
32 their web site there's very limited readership of the  
33 current environmental indicators, probably more so of the  
34 ESD indicators, but certainly very limited hits on the  
35 environmental indicator web site. They can correct me, but  
36 I think it was 20 hits last year, and it was mainly from  
37 university-type students for university information.  
38 All the stakeholders in their submission, including Sydney  
39 Water, agreed the environmental indicators need to be  
40 improved and need to be reviewed. So that's the basis we  
41 were starting from.

42  
43 The objective given to us as a brief was to recommend  
44 not a new set, but a review and recommendation on  
45 environmental and ESD indicators for Sydney Water. Our  
46 brief was a little bit narrower than that. Usually ESD  
47 encompasses social, economic, as well as environmental

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1 aspects. Our brief was narrowed down to looking at just  
2 the environmental aspects. So, I'm not discussing here  
3 social aspects and economic aspects of ESD. We mainly  
4 focused on the biological, the physical, the chemical  
5 aspects of what you could define as environment.  
6

7 Those indicators had to meet specific criteria. The  
8 criteria generally were laid down by IPART, firstly, those  
9 previous criteria under the Sydney Water Act. We needed a  
10 streamlined set of indicators. They had to reflect all the  
11 important environmental aspects and impacts of Sydney  
12 Water, which the current set of indicators don't do. It  
13 also had to reflect where environmental responses would be  
14 required in future. In other words, how do these  
15 indicators show where Sydney Water should be focusing  
16 effort, or may be changing their future effort in terms of  
17 their asset management and the management of their whole  
18 operations.  
19

20 They had to be rigorous, cost effective, avoid  
21 duplication, especially in terms of the debt licensing. We  
22 didn't want to have Sydney Water duplicating data, or  
23 shifting data around just to report separately to IPART  
24 and then separately to the community. They had to be  
25 relevant and understandable to the community, the lay  
26 person and Sydney Water's customers. The current set  
27 certainly aren't that. The methodology we used was fairly  
28 straightforward. We reviewed all the regulatory  
29 requirements, which is essentially the Sydney Water Act.  
30 We also looked at IPART's legislation, and also the DEC  
31 legislation which requires environmental monitoring  
32 reporting as part of their licensing.  
33

34 There was submissions from Sydney Water and other  
35 stakeholders and those stakeholders are generally  
36 represented around the table today. We reviewed the  
37 aspects and impacts register from Sydney Water's  
38 environmental management system. This showed us where  
39 Sydney Water themselves were identifying environmental  
40 issues and their priority ranking showed us what were the  
41 most important environmental issues. We reviewed industry  
42 best practice, or we tried to review industry best practice  
43 mainly in Australia. We looked at what other water  
44 organisations were doing, we got some information from the  
45 UK. This is reported in the report which is on the IPART  
46 web site, but generally it appeared that the sort of  
47 monitoring reporting Sydney Water were required to do is

1 probably leading most other States in Australia, if not  
2 overseas.  
3

4 We developed the selection criteria. Again, these  
5 criteria came from IPART. They came from comments in the  
6 operation audits and they came from the criteria that are  
7 in the global reporting initiative. We tested the current  
8 indicators against those criteria, and we developed  
9 recommended indicators and tested them against the  
10 criteria. Again, that logic and those criteria and the way  
11 those criteria met are in the report that's on the web  
12 site.  
13

14 The recommended indicators. Because of this temporal  
15 history that was required under the Act, we didn't want to  
16 lose the massive amount of environmental information that  
17 Sydney Water already have. So our main objective was to  
18 build on the current set of ESD indicators that Sydney  
19 Water had developed after a lot of public consultation and  
20 a lot of effort a few years ago. Basically, there were  
21 some very good indicators in amongst those ESD indicators.  
22 So that was the basis. We then included some of the  
23 existing environmental indicators which have also been  
24 recorded for probably 10 years, or over 10 years, and the  
25 ones that met the criteria.  
26

27 We looked at all of Sydney Water's aspects and impacts  
28 and we added further indicators according to that register,  
29 the aspects and impacts register. As well, some of the  
30 stakeholders suggested new indicators to us, both in their  
31 submissions and in face-to-face meetings we had with the  
32 key stakeholders. At the end of that process we came up  
33 with a series of 21 groups of indicators which contain, I  
34 guess, 45 separate data sets, or 45 separate measures, and  
35 they include supply of both potable and recycled water.  
36 They cover the sewage system, the sewage treatment, they  
37 cover waste generation and waste recycling. They cover  
38 energy, and not just the building energy components, but  
39 the energy used in sewage treatments, sewage pumping, the  
40 water pumping and water treatment. They cover aspects of  
41 land impacts, both on flora and fauna, site contamination  
42 and things like that. A couple of those previously weren't  
43 reported on. They cover air impacts such as odours and  
44 noise. They cover heritage, both Australian or European  
45 heritage and aboriginal heritage, some of those aspects  
46 having been reported on before. So I think the proposed  
47 set of indicators that are currently in the report cover a

1 slightly wider range of aspects of Sydney Water's  
2 operations. They are certainly much more streamlined and  
3 they build on as many existing ESD and environmental  
4 indicators as possible.

5  
6 Where do we go from here? The draft report with these  
7 indicators is on the IPART web site. IPART welcomes  
8 comments, still welcomes comments on that draft report.  
9 What we are looking for is improved wording for each of the  
10 indicators. What we have got at the moment, we have  
11 identified general wording for a general indicator. We are  
12 not suggesting that the wording at the moment is the  
13 specific wording that would be used. We want to get  
14 agreement first on what should we be measuring, what should  
15 Sydney Water be reporting on. We probably want a better  
16 definition of terms so that in four or five year's time  
17 there's no argument about what we meant back here when we  
18 said monitor sludge, or monitor this or monitor that.

19  
20 It would be an ideal outcome if we had agreement of  
21 all the stakeholders, including Sydney Water, on the suite  
22 of proposed environmental indicators, but one way or  
23 another there will be a new set of indicators going into  
24 the operating licence. 90 per cent of those probably have  
25 been reported in one way or another at the moment and  
26 Sydney Water have given us some earlier comments on those  
27 indicators, suggesting that they don't have any significant  
28 problem with them. So, that's where we are at at the  
29 moment. Michael, do you want to just tidy up? Thanks.

30  
31 MR SEDWELL: Just one slide, which is really just the  
32 issue for discussion. So they are things like the first  
33 slide, energy management; should the licence contained  
34 fixed targets or indicators, or what arrangements are  
35 appropriate for energy management?

36  
37 In terms of Botany Wetlands, is the licence the most  
38 appropriate mechanism to ensure the management of the  
39 Wetlands?

40  
41 In terms of the environment plan, is Sydney Water's  
42 proposal for an EMS and non-statutory environment plan  
43 appropriate? Also, some comments on the indicators  
44 suggested by GHD.

45  
46 MR COX: Michael and Ross, thank you very much for that.  
47 We'll now take comments from the panel. I think perhaps

1 for a change we might start off with Leigh Martin.

2  
3 MR MARTIN: Thanks, Jim. I might start with the issue of  
4 the indicators. For the most part, I think the draft  
5 indicators that have been presented are, firstly, a good  
6 set of indicators to monitor the Sydney Water's  
7 environmental performance and set the performance against  
8 ESD.

9  
10 There might be some areas in which they could be  
11 improved. One that I would note is stormwater. I think  
12 there could be some observation of Sydney Water's  
13 contribution to stream restoration and dechannelisation of  
14 stormwater channels, and perhaps in terms of actual works  
15 undertaken and funds invested in undertaking those works or  
16 investigating them. We've certainly been involved in some  
17 discussions with Sydney Water in terms of developing  
18 criteria for assessing the benefits of potential projects.  
19 So there is some expertise in Sydney Water in that area.  
20 That's perhaps one area in which they could be given extra  
21 incentive to do some work.

22  
23 Certainly the proposals that have been presented here,  
24 probably in TEC's view they are significantly superior to  
25 those which Sydney Water presented in their submission with  
26 their proposed scorecard. I mentioned earlier the concerns  
27 we had with those, particularly in relation to the  
28 operating licence and lack of auditing arrangements for  
29 anything other than the headline indicators. So we are  
30 much happier with what we have had presented so far.  
31 Obviously it's very important that they remain something  
32 that is audited as part of the operational audit, so that  
33 there is a good, clear indication for the community of  
34 Sydney Water's environmental performance.

35  
36 In terms of the environment plan, I'm not comfortable  
37 with the concept of having a non-statutory environment  
38 plan. I think you can have an environmental management  
39 system and a statutory environmental plan. The weakness of  
40 a non-statutory plan is basically that I guess it would  
41 give Sydney Water the ability to amend it without the same  
42 rigorous consultation that exists at present. They may  
43 well undertake consultation at an equivalent level if it  
44 was a non-statutory plan, but there is no guarantee that  
45 that would take place. So I would certainly have some  
46 concerns about that proposal.

47

1 In relation to energy management requirements, we  
2 strongly support requirements for use of renewable energy  
3 in the operating licence. It is something I think of an  
4 anomalous situation whereby Sydney Water's required to  
5 adhere to the government management policy of purchasing  
6 requirements in relation to this requirement to meet the  
7 targets in relation to buildings, when they are such a  
8 small proportion of Sydney Water's energy consumption.

9  
10 Whilst Sydney Water is a water and sewage and  
11 stormwater service provider, we cannot ignore the fact that  
12 it is a very large consumer of energy, simply by nature of  
13 the services it provides. So energy consumption represents  
14 a significant component of the corporations over the  
15 environmental impact. So I do believe that requirements in  
16 terms of energy management and renewable energy should be  
17 extended to the corporation's operations as a whole in  
18 order to ensure that they are placed on a more sustainable  
19 footing.

20  
21 Just finally, regarding the Botany Wetlands plan, we  
22 believe that it should be retained in the licence. I do  
23 think that the requirement for the Botany Wetlands planning  
24 the licence have been an important driver in getting  
25 improvements in the health of the Wetlands. But there is  
26 still work that needs to be done and further improvements  
27 required. So I think there is at this stage a strong  
28 argument for retaining that provision within the licence.

29  
30 MR COX: Thank you very much. Perhaps we'll now move to  
31 Angela.

32  
33 MS TSOUKATOS: I guess, as Michael has acknowledged in his  
34 presentation, Sydney Water does comply with the government  
35 energy management policy. I'd like to just start off by  
36 talking about that issue.

37  
38 We are on track. We've satisfied the 2000 target and  
39 are on track for the 2005 target. I hear the comments  
40 about only focusing on property and the concerns there.  
41 However, it is important to acknowledge that we're not  
42 sitting on our hands when it comes to these issues.

43  
44 We have actually been quite proactive in this area and  
45 I think our performance demonstrates that. We have entered  
46 into a long-term energy partnering relationship with two  
47 specialised energy management consultants. We also have

1 purchased 2.5 per cent of our electricity as green power  
2 and generate a further 3 to 4 per cent at the Malabar  
3 sewerage treatment plant, so there is work we are doing  
4 quite proactively which is consistent with the policy but  
5 we are going well beyond that in our practice.

6  
7 We are also developing a greenhouse strategy in  
8 conjunction with our energy partner Energex and the  
9 strategy will assist Sydney Water to reduce the rise of non  
10 renewable greenhouse gas emissions and develop a greenhouse  
11 gas emissions framework.

12  
13 The proposed environmental indicators would also  
14 include energy management, so I think the key point there  
15 for us is while we acknowledge the points that have been  
16 made about the Government energy policy, in our day-to-day  
17 practices and in performance we are going well beyond what  
18 is required there and we are committed to continuing to do  
19 that.

20  
21 By including energy management in our environmental  
22 management system we also see it as a way of further  
23 integrating it into the way we go about our business. I  
24 know there is a question about whether the EMS will cover  
25 energy management at all but it is our proposal that it  
26 does. The current environmental plan contains objectives,  
27 actions and targets aimed at reducing Sydney Water's use of  
28 energy so it is already covered, and we propose it be  
29 through the EMS.

30  
31 I noted the comment about a statutory environmental  
32 plan and the need to continue with this plan. I think it  
33 is important to ask the question, what are we actually  
34 trying to achieve? What we are trying to do is get some  
35 continuous improvement and also to get some real cultural  
36 change happening in an organisation like Sydney Water which  
37 runs very large systems and processes, water systems that  
38 go for 20,000 kilometres, waste water systems that go for  
39 that length also, and an EMS actually provides an  
40 opportunity to systematically assess our impacts and then  
41 incorporate that into our decision-making. We actually see  
42 this as being a positive thing, whereas with an  
43 environmental plan you have a risk of producing a plan and  
44 everybody as part of that process acknowledges it to be a  
45 good process but what you are doing is auditing against  
46 targets that were set 10 years ago that perhaps are not as  
47 relevant as what your environmental management system is

1 actually telling you about the impacts you are having on  
2 the environment.

3  
4 As Ross said, we produce lots of reports, truck loads  
5 of reports, which people don't read. That does not  
6 actually get the change that you want to see occurring in  
7 an organisation like Sydney Water. People focus on  
8 producing the report and getting it to the regulator on  
9 time but not especially analysing, assessing and making it  
10 a living requirement. I think it is important that we  
11 actually be very clear about what we are trying to achieve  
12 when talking about retaining statutory documents. Having  
13 said that, the environment plan will continue to be a  
14 feature of the EMS.

15  
16 The issue of the Botany wetlands, I think everyone is  
17 aware there has been a review completed and that involved  
18 the Department of Environment and Conservation and the  
19 Department of Infrastructure Planning and Resources, and it  
20 was acknowledged that the state of the wetlands had  
21 significantly improved since Sydney Water embarked on a  
22 program of active management. We acknowledge that we need  
23 to continue the effort here, and again the way to actually  
24 achieve that is by incorporating the management of the  
25 wetlands as part of the environment management system to  
26 actually get that active management occurring in the assess  
27 that I was referring to earlier.

28  
29 The question about should our proposal for an EMS with  
30 an environment plan be accepted, I think I have probably  
31 made my point there. I see that an EMS that is actually  
32 certified, where the staff in the organisation buy into  
33 that and own it, is likely to get us better results than  
34 just having a plan that is produced to meet an audit  
35 requirement.

36  
37 Turning to the environment indicators, I can't argue  
38 with what Ross has had to say about the need to streamline  
39 the indicators. We don't get a lot of joy by producing  
40 1,000 data sets that people don't actually read and having  
41 only 20 hits on a web site is very telling. We see that  
42 there is a tremendous opportunity coming forward from the  
43 report presented by Ross earlier. While there is general  
44 agreement on the indicators, we think that there is  
45 probably some scope for some further review and finessing  
46 on some of the detail.

47

1 Our initial consultations on this issue focused on a  
2 sustainability score card and then we had to refocus based  
3 on the feedback that we had. One of the opportunities that  
4 we see going forward, and we really don't want to lose, is  
5 the opportunity to streamline reporting. We are quite  
6 happy with the general indicators that have been presented  
7 but we see that there is an opportunity to streamline  
8 reporting to IPART and also through the Annual Reports Act  
9 where there the community can receive a holistic report on  
10 Sydney Water's sustainability performance.

11  
12 What we are trying to do is get alignment between what  
13 we do as a business, because we have to balance a number of  
14 objectives, and our regulatory reporting. We accept that  
15 part 9 serves a certain purpose and the indicators that are  
16 presented here today are a great leap forward. However, we  
17 would not want to lose the opportunity to streamline  
18 reporting.

19  
20 I think that is all I want to say for now.

21  
22 MR COX: Thank you very much. Next, Joe Woodward.

23  
24 MR JOE WOODWARD: We agree with others about the  
25 benefits  
26 of rationalising the monitoring and reporting requirements  
27 and we are aware of the work that GHD has been doing in  
28 terms of the indicators and drafting those and we are in  
29 general agreement with that. We will provide more detail  
30 later to that draft paper.

31  
32 There are a couple of related processes that are going  
33 on that have some impact on this. One is Sydney Water's  
34 proposal for streamlining the provisions of the Sydney  
35 Water Act and also DEC's own review of the sewerage  
36 treatment system licensing monitoring requirements that are  
37 going on at the moment, so we are trying to integrate that,  
38 at least from our perspective, as well.

39  
40 Looking at it, I suppose as an overview there were  
41 historical reasons why we ended up with the operating  
42 licence and the monitoring requirements that are in it  
43 which at the time didn't give us a good opportunity to look  
44 for a good rationalised approach to the licence  
45 requirements and monitoring from the then EPA and the  
46 broader operating licence under the Sydney Water Act but I  
47 think everyone has suggested that there is a need really to  
get a better outcome for all the effort that is being put

1 in at the moment.

2  
3 As an overview, our sewerage system licensing  
4 requirements provide the environmental requirements and the  
5 limit conditions. The monitoring and the reporting  
6 requirements for the individual plans and individuals for  
7 each treatment systems needs to, and will, continue. The  
8 operating licence in our view should then provide the  
9 monitoring and the ability to assess the broader overall  
10 performance of the key environmental indicators, some of  
11 which will include I suppose a high level type requirement  
12 from the monitoring that we require. For example, we might  
13 require monitoring requirements for oil and grease from the  
14 various sewerage treatment plants or systems, whereas the  
15 operating licence might provide total loads to the oceans  
16 in an overview sense. The operating licence, of course,  
17 would be looking at the other key environmental issues that  
18 aren't picked up by our licensing such as energy and  
19 greenhouse and some of the other ones that have been talked  
20 about as well.

21  
22 The suite of indicators in the operating licence that  
23 could be included from our perspective could demonstrate,  
24 in addition to what I have said before, ones such as  
25 picking up those energy and greenhouse and the other ones.  
26 The extent to which the investment decisions are delivering  
27 the environmental outcomes could demonstrate the extent to  
28 which the asset management contributes to maintaining  
29 environmental standards and also provide further  
30 information in relation to demand and supply and planned  
31 investment that can assist with rational investment  
32 opportunities in the future.

33  
34 In addition, the operating licence could require  
35 issues to be monitored that allow the ability to look at  
36 trends and indicators which can assist changing things in  
37 the future as well, future decision-making.

38  
39 This approach I think generally could be able to  
40 replace the targets set in the environmental plans under  
41 the current operating licence.

42  
43 In relation to energy in particular, we acknowledge  
44 that Sydney Water is doing energy reduction works apart  
45 from the ones such as those that Angela talked about where  
46 there is some greenhouse emissions produced by STPs and  
47 generating hydro electricity and participating in a number

1 of renewable energy projects. They are not necessarily  
2 picked up by the EMP and others have suggested there is a  
3 benefit in having some energy reporting that actually picks  
4 up total energy use, greenhouse gas and emissions produced  
5 by STPs and identifying any reasons that may be there for  
6 any increased emissions in total. This will better I think  
7 allow energy use and greenhouse emissions to be considered  
8 as part of the total least cost planning framework and  
9 facilitating more transparent decision-making of options  
10 such as desalination, effluent reuse and demand  
11 management as well.

12  
13 That is all I wish to say.

14  
15 MR COX: Thank you very much. Now to Peter Prineas.

16  
17 MR PRINEAS: The Nature Conservation Council in relation to  
18 the environmental plan is of the view, as stated in our  
19 submission, that it is a requirement, an important  
20 requirement, of the operating licence that Sydney Water  
21 report and meet certain environmental standards, and I  
22 think this reflects the requirements in the Sydney Water  
23 Act. Sydney Water is required to check the environment in  
24 its operations.

25  
26 Whether or not you have an environmental plan in your  
27 operating licence really goes right to the core of whether  
28 you think this is a good regulatory system or not. The  
29 purpose of having the operating licence and having  
30 requirements, including environmental requirements, is to  
31 ensure that you have transparency and accountability in  
32 what the organisation does, and there is a history of why  
33 Sydney Water has an operating licence and why this level of  
34 transparency is thought to be necessary.

35  
36 Angela mentioned that what Sydney Water wants to do is  
37 to achieve continuous improvement. I am sure that that is  
38 what every business should aim for, and certainly an  
39 environmental management system is necessary if you are  
40 going to achieve that. However, many ordinary businesses  
41 are required to have environmental management systems and  
42 to continuously improve, otherwise they are just not going  
43 to be in business. Sydney Water has an extra requirement  
44 under its legislative regime which is to have an operating  
45 licence and a transparent and accountable reporting system  
46 so that the Government and the parliament and the community  
47 has some idea through the operating licence and the audit

1 of how the organisation is fairing in meeting its  
2 requirements.  
3  
4 There is no reason why Sydney Water can't have an EMS  
5 and, indeed, it should have one, but that does not have  
6 anything to do with the operating licence requirements as  
7 such. They are there for different reasons specific to  
8 Sydney Water as a corporatised government body.  
9  
10 The EMS cannot in our view substitute for the  
11 operating licence requirements for an environmental plan.  
12 There are some problems anyway. I understand that Sydney  
13 Water, in terms of its EMS, because I don't believe it has  
14 ISO1000 certification at this stage and it probably will be  
15 sometime before it has it, so again there is some doubt  
16 about the EMS serving as an adequate alternative or  
17 substitute.  
18  
19 The environmental plan is I think open to criticism  
20 for being a process oriented document and I think some  
21 mention was made of redundant provisions. In our  
22 submission we asked for the environmental plan to be looked  
23 at as part of this review to see if perhaps we could not  
24 improve it so that it addressed the on the ground situation  
25 a bit more effectively than having a process oriented plan  
26 which really calls for the supply of reports. To some  
27 extent what has been done with the indicators has achieved  
28 that although I think it could have gone further in the  
29 plan as a whole.  
30  
31 With respect to the indicators, the NCC feels that the  
32 list of indicators that has been produced by GHD is a good  
33 one and an improvement on what was there before. I  
34 confess, I have been confused about the 1300, how they  
35 would generate it and whether it would be a requirement of  
36 DEC. Joe Woodward is shaking his head, "okay, not me". I  
37 just wonder how they came to be, but I can imagine that if  
38 you are going to have 1300 of anything it is going to be a  
39 bit impractical, so perhaps that will have to remain a  
40 mystery.  
41  
42 On the matter of the indicators themselves, I think I  
43 have said that the NCC supports them as a good list. The  
44 only suggestion we would have is the one that Leigh  
45 mentioned, and which we share, that the stormwater  
46 requirement is for the total area of the Sydney stormwater  
47 catchment. I don't understand that indicator. The

1 catchment will not vary much from year to year, will it, so  
2 I am not sure what it is measuring. I wonder if you might  
3 look for something a bit more helpful, perhaps the quality  
4 of the stormwater system in terms of its natural aspect,  
5 rehabilitation, recontouring and channelling, so perhaps  
6 you could have metres per annum restored to approximately  
7 natural conditions as a useful indicator.  
8  
9 The only other comment I make is that there are  
10 indicators for demand management and recycling and perhaps  
11 they are caught up in demand management, I am not sure, but  
12 there is nothing about stormwater harvesting. It is not  
13 something that Sydney Water currently does so perhaps it is  
14 too early to have an indicator for it but there is,  
15 according to DEC's submission on pricing, significant  
16 potential for stormwater harvesting in Sydney and it is a  
17 pity that it has not been put into the picture.  
18  
19 Botany wetlands: the environment groups agree that  
20 there is still work to do there. Apparently the Botany  
21 wetlands appear to be part of the stormwater system so it  
22 does not look as though Sydney Water will get rid of them  
23 in a hurry. There is still work to be done and that  
24 presumably ought to be brought to some kind of conclusion  
25 before the Botany wetlands requirement disappears from the  
26 operating licence, so we say it is too early yet, there are  
27 still things to be done, that should stay there.  
28  
29 In relation to energy, the energy use targets in the  
30 operating licence are not very helpful. It is true, as  
31 Angela said, that Sydney Water is on target with its  
32 requirements that it meet the Government's energy  
33 management policy. However, that policy is restricted to  
34 buildings and Sydney Water uses a huge amount of energy  
35 outside buildings, pumping and the like and in STPs, and it  
36 has been meeting the targets for buildings. Its energy  
37 consumption has been increasing in the much larger sector  
38 of non building use so we would like to see comprehensive  
39 energy use targets in the operating licence covering the  
40 whole of Sydney Water's energy consumption, perhaps by  
41 sector. We would like to see a green power target quota  
42 and, well, I think that covers the requirements there.  
43  
44 I think that concludes my comments.  
45  
46 MR COX: Thank you. I will take further comments from  
47 members of the panel or responses?

1  
2 MS TSOUKATOS: I think it is interesting that there seems  
3 to be some reservation about moving forward or letting go  
4 of requirements that were developed at a certain point in  
5 time. Interestingly, though, the environmental indicators  
6 seem to have become orphans. No one is saying that they  
7 were involved or that they were in fact developed through a  
8 particular process involving a range of stakeholders.

9  
10 Our push for an EMS is really driven, as I said, by  
11 wanting to get environmental considerations really  
12 integrated into the culture of the organisation. We  
13 acknowledge that an environmental plan would be part of  
14 that in assessing the impacts that we have on the  
15 environment, which are significant. I think it is  
16 important for people not to lose site of that. We actually  
17 see it as an opportunity for going forward.

18  
19 Peter, your comment about certification, we are on a  
20 path and we are aiming to get ourselves certified as soon  
21 as possible. It is something that the organisation has  
22 signed off on at executive and board level and we think it  
23 is the next generation of reform in this area.

24  
25 The last comment just on stormwater, I think everyone  
26 knows what the institutional arrangements are like for  
27 stormwater, that there is not only Sydney Water that is  
28 involved but up to 40 other players, and we think that if  
29 there is going to be further regulation of stormwater that  
30 that needs to be in the context of regulation for receiving  
31 water quality and flooding, and those things don't actually  
32 exist.

33  
34 We don't think it is appropriate to regulate  
35 stormwater through the licence given the institutional  
36 arrangements that are in place. We think some of those  
37 things need to be sorted before certain requirements are  
38 imposed on Sydney Water.

39  
40 MR COX: Further comments? Anyone in the back of the room  
41 who would like to make a comment at this stage?

42  
43 It seems to me that there is some consensus on the  
44 environmental indicators and that these can be further  
45 developed by GHD. This is also a fair degree of agreement  
46 on regulation but divergent views on energy management. On  
47 the environmental plan, I think it is noted that there is

1 support for it from the non government groups; and  
2 differing views on the Botany wetlands issue. That is as  
3 far as we can take it this afternoon.

4  
5 Thank you very much for that session. We will now  
6 moved on, if we can, to the final situation.

7  
8 OTHER ISSUES

9  
10 MR SEDWELL: This session is about streamlining audit  
11 reporting arrangements under the new operating licence. I  
12 need to stress at this stage that this presentation really  
13 involves the secretariat proposing some broad ideas to  
14 stimulate some discussion and some suggestions to allow us  
15 to do further work in consultation with Sydney Water and  
16 stakeholders and I want to stress that the options that we  
17 are putting up today the tribunal has made absolutely no  
18 decisions with respect to.

19  
20 If you look at the current Sydney Water operating  
21 licence, it defines the scope and timing of the annual  
22 audit. The annual audit takes place as soon as practical  
23 after July each year. For Sydney Water there are 17 areas  
24 which under clause 10.2 of the licence are required to be  
25 audited each year and there is currently no provision for  
26 IPART to waive the audit requirements for any area covered  
27 under 10.2, so any of those 17 areas.

28  
29 Sydney Water in its submission argues that the current  
30 auditing arrangements are too inflexible and expensive.  
31 Essentially they believe the auditing regime should be more  
32 flexible to allow it to tailor it to risk areas rather than  
33 carrying out a comprehensive audit each year.

34  
35 The tribunal's issues paper sought comment on the  
36 feasibility of an "audit holiday" approach like the type  
37 currently used by IPART in assessing compliance for New  
38 South Wales electricity and gas utilities. This approach  
39 allows up to three years off between audits if strong prior  
40 performance can be shown in the licence area.

41  
42 Sydney Water in its submission was generally  
43 supportive of the compliance approach used in the energy  
44 area and also it would be fair to say most of the other  
45 stakeholders question the need for annual comprehensive  
46 audits each year.

1 In thinking about some of the issues raised, we  
2 thought a good way forward might be to use a mix of  
3 auditing and also direct compliance reporting. The model  
4 would be broadly similar to that used in the electricity  
5 and gas areas by the tribunal. To do this, you might  
6 classify the licence based on risk to the public. For  
7 example, you could identify high risk areas in the licence  
8 and one area I think which is of high risk is water  
9 quality. Because of its risk to the public, you might  
10 decide to leave the current auditing arrangements as they  
11 currently are, so that would mean you would continue to  
12 conduct annual audits of performance for water quality each  
13 year.

15 Other areas of licensing you might require are  
16 actually medium to low risk, perhaps things like handling  
17 complaints and customer councils. In those low to medium  
18 risk areas you could adopt a more flexible approach where  
19 if Sydney Water could show a strong prior performance as  
20 part of an audit then the tribunal might have the  
21 discretion to grant audit holidays for say up to two years.

23 It is important to stress at this point that an audit  
24 holiday does not mean that there would be no scrutiny of  
25 the particular licence area. This is because section 31 of  
26 the Sydney Water Act requires IPART to inform the Minister  
27 about a breach of Sydney Water's licence and also generally  
28 to report on compliance by Sydney Water with the operating  
29 licence. Obviously to fulfil these requirements it must  
30 meet the tribunal's requirement on its performance. In this  
31 context that audit holiday really means that compliance  
32 would be assessed by a report or an information return from  
33 Sydney Water rather than through an external audit.

35 For the electricity utilities which are part of the  
36 tribunal's compliance regime, where audit holidays are  
37 granted the type and nature of the reporting requirements  
38 in lieu of the audit are specified in a reporting manual  
39 for each utility. The secretariat considers that the  
40 existing monitoring and reporting protocol between IPART  
41 and Sydney Water which clarifies the methodology to be used  
42 as part of the annual audit could be used in much the same  
43 way as, say, the reporting manuals.

45 Rather than requiring Sydney Water to report on every  
46 single licence condition, for instance, the requirement in  
47 the current licence that it establish one or more customer

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1 councils, you could actually use reporting on an exception  
2 basis for relatively minor conditions. Using my example,  
3 once you have established that the council or councils have  
4 been established pursuant to the provision, you could  
5 require Sydney Water to report this on an exception basis  
6 so that that would occur if the councils were disbanded or  
7 a significant change proposed.

9 That is pretty much it. This session is to get  
10 comments from people about whether a more flexible auditing  
11 and reporting arrangement is needed and how can the  
12 auditing and reporting arrangements be improved. Thank  
13 you.

15 MR COX: Thank you very much. This time we will start  
16 with Angela.

18 MS TSOUKATOS: I guess I would say in response to that  
19 presentation, when can we start? We really welcome  
20 anything that reduces the burden and the cost of operation  
21 of audits and public reporting. At the same time we need  
22 to take care that we avoid any deterioration in public  
23 confidence of Sydney Water's accountability for its  
24 performance and what Mike referred to as IPART's role and  
25 the Minister's role vis-a-vis that. We welcome the  
26 suggestions.

28 We believe the licence can be improved by introducing  
29 best practice principles, such as targeting audits to areas  
30 of greatest risk, concepts like audit holidays, exception  
31 reporting of non-compliances and recognition of existing  
32 management systems.

34 Clarity needs to be provided by IPART in consultation  
35 with Sydney Water as to the outcomes sought by audits.  
36 We've talked a lot about auditing today, we have talked  
37 about system performance indicators and customer service  
38 indicators and environmental indicators. Auditing of  
39 indicators can be a different thing to auditing strictly  
40 for compliance purposes. I think we need to be quite clear  
41 about what we're doing to try and achieve that consistency.

43 Some time ago Sydney Water and IPART developed an M&R  
44 protocol, measurement and reporting protocol. I think that  
45 can give us quite a bit of guidance in that regard. In  
46 terms of reporting, again quite a bit has been said about  
47 reporting - that requirements are duplicated with

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1 historically little collaboration on reporting requirements  
2 from regulators, relevant government agencies, so we  
3 acknowledge that that appears to be changing and the spirit  
4 of today's discussions indicates that.

5  
6 The operating licence currently requires 12 reports  
7 from Sydney Water, which adds to the already burden,  
8 whereby Sydney Water has requirements to produce some  
9 54 public reports. We also have what we think is an  
10 arbitrary date of 1 September for providing reports to  
11 IPART. We think this should probably be removed and  
12 replaced by an outcome requirement focusing on the need for  
13 information to be provided to enable audits to be  
14 performed, so we chase that deadline without actually  
15 thinking about what is it we are trying to achieve, what  
16 are we trying to inform.

17  
18 In the Annual Reports Act section 5A clearly states  
19 that if a body is required to produce any report under any  
20 statutory provision, it shall be sufficient to include that  
21 report in its annual report. Sydney Water wishes to  
22 publicly demonstrate performance transparency and  
23 accountability through all operating licence reporting  
24 being included with the annual report. That doesn't mean  
25 that we wouldn't provide IPART with the information that it  
26 needs to do the job that it needs to do, and also our  
27 minister.

28  
29 As I said before, the measurement reporting protocol,  
30 as agreed between the tribunal and Sydney Water in June  
31 2003, provides a vehicle for performing continual  
32 reporting. The measurement reporting protocol enables  
33 continual monitoring by the tribunal through the use of  
34 exceptions and/or incident reporting. Sydney Water  
35 believes that the added burden created through provision of  
36 continual assurance by regular reports should be off-set by  
37 reduced emphasis on annual reporting and audits.

38  
39 MR COX: Thank you very much. Let's now move to  
40 Jim Wellsmore.

41  
42 MR WELLSMORE: I probably should apologise for not having  
43 addressed this in our written submission. Perhaps I can  
44 remedy that earlier next week briefly in writing, if that  
45 will assist. We'd be pretty comfortable and pretty  
46 confident about these sorts of changes to the reporting  
47 regime, audit holidays and exception reporting - especially

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1 audit holidays. I think there is a lot to be said for  
2 those.

3  
4 I suppose the way I would look at it is that it  
5 actually has a sort of an in-built incentive of its own,  
6 the holiday audits. Once you are performing well in the  
7 area you are trying to earn yourself a holiday in, having  
8 done so, I think you would probably want to, say, every  
9 second or third year - I think you will find Sydney Water  
10 would want to keep a good record and maintain it in those  
11 areas. So it brings its own kind of incentive, I think,  
12 into the process. I don't think it is a weakening. As  
13 long as these indicators remain in the licence, the  
14 option's there for the tribunal to revert back to an annual  
15 or however frequent reporting. So, I think that sort of  
16 approach, particularly given it's being utilised currently  
17 in the energy centre, is very sensible.

18  
19 MR COX: Thank you. Peter?

20  
21 MR PRINEAS: I think we indicated in our submission that  
22 we were not against some audit requirements for the sake of  
23 cutting costs where it wasn't necessary to have that much  
24 audit attention. In areas where there's full compliance  
25 and perhaps even in some areas where there is not  
26 compliance, that might be justified. I don't think in a  
27 five-year time frame, which is what we are looking at with  
28 these licences, you can have a three-year holiday, unless  
29 you are going to dispense with mid-term reviews. You'd  
30 have to assume that there would be a full audit in the  
31 first year because you want to establish a baseline. One  
32 would assume if you are going to have a mid-term review, it  
33 should be informed by a full audit. If you are going to  
34 have an end of term review, that ought to be informed by a  
35 full audit. That only gives you two years where you can  
36 have holidays. That may be of significance. I think it is,  
37 actually. If you could have two years where very high  
38 compliance areas were not looked at, I would see it as an  
39 opportunity for the auditor to look more deeply at the  
40 areas where a bit more might need to be framed.

41  
42 As we indicated in our submission, we would be looking  
43 at full audits in the first year to establish the baseline  
44 for the mid-term review and for the end of term, and then  
45 those other years, those other two years, you could have a  
46 holiday for high performance or full performance areas and  
47 the auditor could look perhaps a bit more carefully at

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1 other areas where there would be some profit in doing that.  
2 That's our position.

3  
4 MR COX: Thank you. Leigh Martin?

5  
6 MR MARTIN: In our submission we indicated support for  
7 some proposals for streamlining the audit provisions in the  
8 licence. I do have some sympathy with the concept of  
9 providing audit holidays for those areas where there's been  
10 consistent full compliance with operating licence  
11 requirements. If that offers the benefit of not only  
12 reducing some of the burdens on both the Sydney Water and  
13 the tribunal, perhaps it allows a closer focus on some of  
14 those areas that might be more problematic and perhaps  
15 deserve closer attention. They can be examined in more  
16 depth than some of those areas where there is very high  
17 compliance.

18  
19 I think Peter's points about the period of the  
20 holidays is valid. I think you do want to have a full  
21 audit in the first year and a full audit in the year of  
22 mid-term review and a full audit at the end. But I do  
23 think that provides at least two years in the scope of the  
24 licence in which there is a relaxation of the audit  
25 requirements on Sydney Water.

26  
27 I don't have anything more to add to that except I  
28 think there is some merit in the proposals and I think it  
29 will allow a better focus on some of those areas that need  
30 greater attention.

31  
32 MR COX: Thank you very much. There seems to be a fair  
33 degree of support for the investigation, audit holidays,  
34 targeted auditing and flexibility in the audit approach.  
35 Is there anything more to be said on these subjects?

36  
37 MR SEDWELL: Could I make a quick comment. Through the  
38 presentation I tried to get across the idea that section 31  
39 of the Sydney Water Act means that the tribunal must have  
40 compliance information each year. It must be able to  
41 report to the minister. If it doesn't, it fail its legal  
42 obligation under the Sydney Water Act. So I guess the way  
43 I've been thinking is that if you get an audit holiday in  
44 one particular area it doesn't mean that it falls into a black  
45 hole for a couple of years. Sydney Water would still need  
46 to provide some sort of information to allow compliance to  
47 be assessed in that area. The method of assessment just

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1 would not involve an external audit of that area by outside  
2 auditors.

3  
4 Also, I guess there may be some efficiency benefit  
5 gained in reducing the extent of the external audits and  
6 the frequency of the external audits, but Sydney Water may  
7 find that that burden gets shifted to additional reporting.  
8 So I guess what I'm sort of getting at is there are really  
9 no guarantees, you know, that this will be the sort of  
10 magic bullet for Sydney Water.

11  
12 MR COX: Thank you. Further comments about hoping to find  
13 a magic bullet?

14  
15 MS TSOUKATOS: It's not sounding like much of a holiday.  
16 I think what we are trying to say is if IPART uses the  
17 powers that it has under its Act and we utilise the  
18 measurement and reporting protocol, we should be able to  
19 target areas of key risk and concern to stakeholders and  
20 satisfy accountability requirements while also ensuring  
21 that our effort is targeted. So we're actually focusing on  
22 the key things. If that's to happen, use the powers and  
23 the M&R protocol, then we'd even question whether there's a  
24 need for a mid-term review.

25  
26 I don't know whether people realise that when we do an  
27 annual audit this, people's time in responding to it can  
28 cost over \$1m. I'm not saying that we shouldn't do it, but  
29 we need to think about that and the sort of resources that  
30 go into preparing and responding to audits and mid-term  
31 reviews. That's fine, if we're actually focusing on issues  
32 that are of concern of risk, but when you have certain  
33 issues for, you know, 10 years straight, we have been  
34 getting full compliance and an auditor keeps coming back  
35 and reviewing that issue, you have to question whether  
36 that's the best use of the community's money.

37  
38 MR PRINEAS: A lot has been said about how much it is all  
39 costing, but, I mean, I don't know whether you are still  
40 doing it, Sydney Water used to do a defensive Audit  
41 advance of the external audit. That would have cost a  
42 bomb. Maybe you should not bother with it.

43  
44 MR COX: I think we have support for exploration of the  
45 concepts, at least. I think we should do that and see  
46 whether the resources that are being devoted to auditing  
47 both by IPART and at Sydney Water, have been directed to

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1 the best places, subject to statutory requirements being  
2 fulfilled.  
3  
4 I guess that brings us to the end of the day. I think  
5 it's been a very interesting day. We've learnt a lot by  
6 sitting here and listening. I guess the next stage really  
7 is that we would welcome further submissions on the issues  
8 that have been discussed today, I suppose, in particular,  
9 the consultant's reports that GHD have prepared and we  
10 discussed earlier on asset management and the environmental  
11 indicators. We certainly would appreciate further  
12 submissions. As I think we said at the start of the day,  
13 there will be a further workshop later in the year on  
14 demand and supply issues and we look forward to your  
15 participation in that.  
16  
17 I think it now remains for me to thank everyone for  
18 coming, for helping the tribunal through participation  
19 today, and the spirit in which the day was entered into  
20 which I think has been excellent. Thank you very much.  
21  
22 AT 5PM THE WORKSHOP ADJOURNED ACCORDINGLY  
23  
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