

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

**STATE WATER CORPORATION OPERATING LICENCE END
OF TERM REVIEW**

Tribunal Members

**Dr Peter Boxall, Chairman
Mr Simon Draper, Part-Time Member**

Members of the Secretariat

Mr Gary Drysdale, Ms Narelle Berry and Mr Josh Tickell

**At the offices of IPART
Level8, 1 Market Street, Sydney**

On Tuesday, 5 March 2013, at 10.00am

.5/03/2013 1

Transcript produced by Merrill Corporation

1 OPENING REMARKS

2
3 THE CHAIRMAN: Thank you all very much for coming and
4 welcome to this public forum on the end-of-term review of
5 State Water Corporation's operating licence.

6
7 First I would like to introduce the tribunal. My name
8 is Peter Boxall and I am the Chairman of the tribunal. On
9 my right is my fellow tribunal member, Simon Draper.
10 Jim Cox, the CEO and full-time tribunal member, is on
11 leave, and he sends his apologies.

12
13 Before we start the forum, I would like to make some
14 comments about the review and I will then outline the
15 format for the day. This review considers the role and
16 scope of the State Water operating licence and whether all
17 relevant statutory requirements and stakeholder
18 expectations have been adequately taken into account in
19 drafting the proposed new licence. The purpose of the
20 operating licence is to set out the terms and conditions
21 under which State Water is to carry out its functions.

22
23 IPART is required to review the existing operating
24 licence and recommend to the Minister for Primary
25 Industries the terms of a new operating licence for State
26 Water Corporation. The licence should represent regulatory
27 best practice. This means that it should achieve the
28 desired outcomes without imposing unnecessary compliance
29 and administration costs.

30
31 The terms of the operating licence should therefore be
32 effective and justified; provide a net benefit to society;
33 minimise regulatory overlap and avoid regulatory
34 inconsistency; be enforceable through an audit process;
35 include only matters that are within the control of the
36 regulated utility; and, finally express the regulated
37 utility's obligations clearly and concisely.

38
39 Our intent is to develop a balanced and efficient
40 licence that reflects good regulatory practice.

41
42 The tribunal is aware of the need to balance the
43 benefits and costs of regulation in making recommendations
44 to the minister on the terms and conditions in State Water
45 Corporation's operating licence. Higher standards are
46 likely to add to State Water's costs and the amount that
47 customers might have to pay. It is important that

1 standards should be increased only where this provides a
2 net benefit to State Water, State Water's customers, the
3 environment or other stakeholders. In this review, we have
4 undertaken careful analysis of the costs and benefits of
5 our proposed licence changes.

6
7 This forum is part of IPART's public consultation
8 process on the draft licence package for State Water. The
9 licence package includes the draft operating licence, the
10 reporting manual and cost benefit analysis.

11
12 Following consideration of the matters stakeholders
13 may raise in their submissions on the draft licence package
14 and at this public forum today, the tribunal will recommend
15 to the minister an amended operating licence so that it can
16 commence on 1 July 2013. We are grateful for the effort
17 that stakeholders have made to assist us by preparing
18 submissions and attending this forum today.

19
20 Finally, I would like to say a few words about how
21 this public forum will be conducted. You have available to
22 you an agenda which indicates each discussion topic or
23 session of the workshop. IPART will introduce each
24 discussion topic with a short presentation. After each
25 introductory presentation, I will ask State Water to
26 present their position and to raise any questions they
27 might have for IPART.

28
29 At the conclusion of State Water's contribution,
30 I will invite questions and comments from the audience in
31 response to presentations made by the IPART secretariat and
32 State Water. Please start by identifying yourself and the
33 organisation you represent and please keep your comments to
34 no more than five minutes.

35
36 Please note that the agenda has been reordered from
37 that which was distributed last week to ensure that
38 stakeholders are able to attend the relevant session.

39
40 IPART will make available a transcript of today's
41 proceedings. This will be available from IPART's website
42 within the next seven days or so. I would also note that
43 we plan to have a morning tea break sometime around
44 11 o'clock.

45
46 I will now call on Gary Drysdale from IPART to
47 introduce the first session. Thank you, Gary.

1
2 MR GARY DRYSDALE: Thanks Peter. As the chairman
3 indicated NSW Health will be joining us later today. As a
4 consequence, we have rearranged some of the presentations.
5 Presentations that are relevant to NSW Health will be held
6 later this morning.
7
8 OTHER ISSUES
9
10 MR DRYSDALE: Today, my presentation will cover the
11 areas where we propose to make changes to State Water's
12 operating licence. The areas I am covering are: Delivery
13 of water to customers; the customer consultative
14 committees; customer service committees; and the MoUs.
15
16 I will talk on each topic in turn, after which State
17 Water, and then the general audience, will be given the
18 opportunity to respond.
19
20 The current operating licence is the only regulatory
21 instrument that obligates State Water to operate its
22 infrastructure so that its customers can have access to
23 water made available under their water entitlements.
24
25 Under the current operating licence, State Water is
26 accountable for the management and delivery of water
27 allocated to its customers. It must manage water orders
28 with a view to ensuring customer access to water, and it
29 must ensure that its systems and services meet performance
30 standards. The operating licence must also include terms
31 and conditions to ensure that the systems and services meet
32 the performance standards specified in the operating
33 licence in relation to water delivery and any other
34 applicable requirements set out in the operating licence.
35
36 As part of this review, we examine whether the current
37 operating licence accurately reflects State Water's
38 obligations to its customers and whether State Water should
39 be responsible for the release of the water for its
40 customers or the delivery of water to its customers. In
41 particular, we considered whether we should restrict State
42 Water's responsibility to the release of water or introduce
43 explicit requirements for State Water to deliver water.
44
45 Generally there was support for the operation licence
46 to implicitly require State Water to deliver water to its
47 customers. However, State Water was concerned that its

1 regulatory obligations simply require it to release water.
2
3 After consideration of submissions and our cost
4 benefit analysis, we recommend that the operating licence
5 should maintain the requirements of State Water to deliver
6 water to its customers. However, in recognition of the
7 concerns that State Water have expressed in their
8 submission, we recommend to revise the wording of the
9 requirement so that it is subject to any requirements of
10 water sharing plans or water works approvals.
11
12 That is the first topic for discussion, and I now open
13 it to State Water.
14
15 THE CHAIRMAN: Thank you, Gary. Amit Chanan, from
16 State Water.
17
18 MR AMIT CHANAN: Thank you, Mr Chair. Thank you,
19 Gary. I guess water delivery, the term itself, is what is
20 described as our core business at State Water Corporation.
21 We are in the business of delivering water - the right
22 amount of water, to the right place and on time. In doing
23 so, we ensure that there is minimal operational surplus.
24 But water delivery could mean different things to different
25 people, and that is the concern that we were trying to
26 express to IPART.
27
28 In the context of State Water, those who are familiar
29 with the urban water context, might think of water delivery
30 as a pipe network, supplying water brought to your tap.
31 Essentially, that is not how State Water delivers water.
32 We use river systems to deliver water. In the provision of
33 this service, we use some of our own assets that we have on
34 the rivers, being the dams and the headwaters, as well as
35 the rivers where we have some weirs and regulators.
36
37 The delivery function, essentially requires us to
38 understand the geomorphology and hydrology constraints of
39 the river system and use those constraints to be able to
40 deliver water. So each morning we look at what the orders
41 are for the day. We look at what the tributary flows to
42 the river systems are. We look at what the prevailing
43 weather pattern is and, accordingly, we make decisions on
44 how much water we release from our dams and weirs. So the
45 context of releasing water actually comes from the fact
46 that, in fulfilling our obligation to deliver water, all we
47 are doing is releasing water from our dams or weirs or

1 regulators.
2
3 It is not a simplistic exercise of just turning the
4 tap on, by any stretch of the imagination; it is a quite
5 complex task. It involves understanding our rivers. It
6 involves understanding the orders and what is lying ahead
7 in the next week or two weeks. So our request to IPART was
8 just to paint that context in defining water delivery. I
9 think we are not saying that we don't want to refer to
10 water delivery, but it would be help if the operating
11 licence actually contains a definition of the term "water
12 delivery" that sets the context, and we have some words
13 that we can put forward as part of our submission.
14

15 Essentially what water delivery we undertake is making
16 water available by the operation of our water management
17 works. We can provide you with some words as part of our
18 submission. The key concern we have is to ensure that we
19 have the context of water delivery set in the context of
20 our operations and not necessarily in the context of people
21 who may be more familiar with urban water delivery
22 business. Thank you.
23

24 THE CHAIRMAN: Thank you very much, Amit.
25

26 Are there any questions or comments from the floor?
27 There will be plenty of other opportunities. All right,
28 Gary?
29

30 MR DRYSDALE: The Customer Consultative Committee is a
31 state-wide committee established to enable community
32 involvement in issues relevant to the performance of
33 State Water's obligations under its operating licence.
34

35 Evidence from State Water in the annual operating
36 audits that we conduct suggests that the diversity of
37 interests represented on this committee makes it difficult
38 to effectively engage stakeholders through this forum.
39 Understandably, stakeholders are only interested in the
40 issues that are relevant to them.
41

42 Submissions generally supported the removal of the
43 obligation on State Water to maintain this committee.
44 However, local government expressed concern and wanted
45 the committee to continue. Local governments are not
46 represented on the river-valley based customer service
47 committees.

1
2 What we propose to do is actually remove the
3 obligation from the licence. We still consider that it is
4 important for stakeholders, who are not State Water's
5 customers but are affected by their operations, to continue
6 to have some avenue for input in major issues. Such groups
7 may include recreational users, who may use State Water's
8 lakes or rivers; business owners near lakes and rivers; and
9 local councils managing lands next to lakes and rivers.
10

11 Later today, we will discuss the adoption of a systems
12 standards approach within the State Water operating
13 licence. This will include the adoption of an
14 environmental management system. An effective
15 environmental management system includes appropriate
16 stakeholder engagement related to specific issues. The
17 environmental management system requirements will be
18 audited to ensure that State Water appropriately identifies
19 and engages stakeholders on issues relevant to their
20 respective interests.
21

22 Further, in yet another later presentation, we will
23 outline a proposed new obligation for State Water to
24 communicate with local water utilities regarding water
25 quality. We consider that the combination of the EMS
26 requirements and the new notification obligations to local
27 water utilities will go a long way in meeting these
28 stakeholders' requirements of State Water.
29

30 In the current consultation process for the operating
31 licence, we are interested in discovering whether you
32 consider our proposal as sufficient. If not, what are the
33 gaps and would this change our cost benefit analysis
34 regarding the customer consultative committee?
35

36 THE CHAIRMAN: Thank you, Gary. State Water, Amit.
37

38 MR CHANAN: State Water supports the proposal put forward
39 by IPART to remove the CCC obligation from the licence.
40 CCCs certainly provide a platform for consultation on
41 community issues. Notwithstanding the relationship
42 challenges, if we look at the key interests that were
43 represented on the CCCs, we had irrigators and
44 environmental interests, local government interests. If we
45 look around the CSC representation that we have across the
46 state, those groups are adequately represented on those
47 CSCs.

1
2 Gary, I take your point where you are suggesting that
3 local government expressed some concerns. However, we have
4 councils like Lithgow, Dubbo, Tamworth, MidCoast Water,
5 which is a county council, which are already represented on
6 our CSCs. So we feel that the function of consultation
7 with the community can still be effectively carried out
8 without CCCs.

9
10 THE CHAIRMAN: Thank you, Amit. Are there any
11 questions or comments from the floor? No? Gary.

12
13 MR DRYSDALE: The next topic is customer service
14 committees. State Water is currently required to maintain
15 customer service committees in each river valley to allow
16 customers to have input on major issues. We consider that
17 these committees provide a useful function.

18
19 Today, we wish to discuss slightly expanding
20 representations on these groups. We propose that the
21 licence requirement relating to representation be changed
22 to include the Commonwealth Environmental Water Holder
23 on relevant committees to reflect its increased importance as
24 a customer.

25
26 Some stakeholders were concerned by this proposal.
27 They stated that the licence requires that a representative
28 of the New South Wales Office of Environment and Heritage
29 sit on the committee to represent the interests of the
30 environment. Currently, the Commonwealth Environment
31 Water Holder is an observer on the CSCs in the Murray-
32 Darling Basin, and representation is made through the OEH
33 representatives.

34
35 In response, we note that the Commonwealth
36 Environmental Water Holder is fast becoming the largest
37 entitlement holder of State Water's customers, but is
38 currently not directly represented on relevant CSCs, so we
39 currently propose that we include the representation to
40 invite the Commonwealth environmental water holders on
41 those relevant CSCs.

42
43 Finally, we propose that OEH membership continue. In
44 our view, OEH deals with a range of environmental issues
45 and should maintain their representation. I now open it to
46 discussion.

47

1 THE CHAIRMAN: Thank you, Gary. Amit?

2
3 MR CHANAN: Thank you, Gary. For the benefit of those who
4 are not familiar with the customer service committees, we
5 have nine of those around the state. They provide a
6 brilliant forum for customer consultation on all sorts of
7 issues, pertaining to water delivery, environmental water
8 delivery, asset management and even pricing strategies.
9 They play a very important role in State Water determining
10 levels of service for our customers.

11
12 To quote the Murray-Darling Basin Authority, in the
13 post-basin plan of the world, they talk about a concept of
14 localism to understand how the local communities, who live
15 and work in the basin, feel they can deal with the
16 environmental issues, and they have acknowledged CSCs as
17 an ideal vehicle for implementing localism in the basin. We
18 certainly agree with that.

19
20 In relation to the membership of those CSCs, we have
21 already invited CEWH to be on the CSCs in the basin area
22 and they are already a member of our Customer Service
23 Committee, so we certainly agree with the recommendation.
24 Thank you.

25
26 THE CHAIRMAN: Thank you, Amit. Any comments on this
27 topic? No? Over to you, Gary.

28
29 MR DRYSDALE: Now to the last topic for my presentation.
30 Currently the operating licence requires State Water to use
31 its best endeavours to maintain MoUs with each of the
32 directors-general of the Department of Water and Energy,
33 NOW - the NSW Office of Water - the Department of Primary
34 Industries and the Department of Environment and Climate
35 Change, which is now the Office of Environment and
36 Heritage.

37
38 The purpose of each MoU is to form the basis for a
39 cooperative relationship between State Water and the
40 respective agency.

41
42 Submissions were received from the NSW Office of Water
43 and the Department of Primary Industry; that is, from the
44 Fisheries component of that department. Both of those
45 groups, who are partners to MoUs with State Water,
46 supported the maintenance of the MoU, though not
47 necessarily as an obligation in the operating licence. The

1 submission of the NSW Office of Water raised concerns
2 regarding the content of its MoU with State Water and the
3 need for it to be reviewed. The current arrangements for
4 the drafting of the MoU include regular reviews, and we are
5 aware that State Water and NSW Office of Water are already
6 in discussions to update the contents of the MoU.
7
8 The Fisheries submission noted that although the
9 operating licence requires State Water to develop an MoU
10 with Fisheries NSW, the MoU is driven by the needs and
11 beneficial outcomes achieved by both parties.
12
13 As such, Fisheries NSW was of the view that the
14 compliance requirement for an MoU in the operating licence
15 adds little value to the relationship with State Water.
16 Fisheries did not foresee any impact from removing the
17 obligation from the operating licence.
18
19 State Water, in its submission, raised concerns that
20 the MoU obligations create an inherent inequality in its
21 relationship with the respective departments. For example,
22 State Water's adherence to the MoU is reported on and
23 audited, while the same does not apply to its MoU partners.
24
25 Finally, one submission was received supporting the
26 maintenance of the MoUs to make State Water accountable for
27 maintaining them and to provide clarity to customers with
28 whom State Water engages.
29
30 Following consideration of the submissions and the cost
31 benefit analysis we undertook, we have recommended the
32 removal of the obligation for State Water to maintain MoUs
33 with the various departments within the licence. We note
34 that removing the MoUs from the licence would not mean that
35 this would necessarily cease, but they would no longer be
36 subject to regulatory supervision by IPART.
37
38 THE CHAIRMAN: Thanks, Gary. Amit?
39
40 MR CHANAN: MoUs, certainly in the past, assisted us in
41 forming a constructive relationship by providing a
42 framework for dialogue. Over the years, in working with
43 those MoUs and developing those relationships, I can
44 certainly say that we have enjoyed a really good, robust
45 and cooperative working relationship with the agencies with
46 whom we have MoUs.
47

1 We believe that including an MoU simply as a
2 compliance requirement, in fact defeats that purpose of
3 cooperative dialogue and cooperation. As we said in our
4 discussions with IPART, it makes the relationship
5 unbalanced because, for us, it means that there is
6 compliance driver. We certainly support the decision to
7 remove the MoU obligation from the licence because we
8 believe that the relationship that we have already
9 established with these agencies is one of a cooperative
10 nature and we will continue to work on that. Thank you.
11
12 THE CHAIRMAN: Thank you Amit. Are there any
13 comments or questions?
14
15 MR PAUL SIMPSON: Paul Simpson from the NSW Office of
16 Water. I think our view was that whilst the MoU may not
17 be the perfect vehicle, we, as organisations, have a lot of
18 information activities and dialogue activities that we do
19 together, or we rely on each other. If we were to have no
20 MoU requirement whatsoever, I would be a bit concerned that
21 there has not, as yet, been some other framework developed
22 or considered to provide for that enmeshed activity between
23 the two organisations.
24
25 THE CHAIRMAN: Thank you, Paul. Any comment, Gary or
26 Amit?
27
28 MR CHANAN: I totally agree with Paul that the
29 relationship between the Office of Water and State Water is
30 a very, very close relationship and we need to work
31 together on a lot of operational issues.
32
33 Once the MoU requirement is taken away from the
34 operating licence, we are not suggesting that we will close
35 all doors and stop talking to you, Paul. We certainly will
36 continue that collegiate relationship and working together
37 on water issues. It is just that the driver should not be
38 compliance. The driver should be the need for us to work
39 together on water issues. I think from your side, and
40 I think from our side as well, we certainly can continue
41 the relationship that we have established under the MoU.
42 It does not have to be driven by the requirement to comply
43 with an operating licence.
44
45 THE CHAIRMAN: Thank you. Paul?
46
47 MR SIMPSON: Generally, I agree and I don't really want to

1 couch this necessarily in compliance terms. Whilst we have
2 cooperative arrangements at the moment, our view was that
3 something needed to be said to, I guess, obligate us to act
4 in good faith and do various things together. It is just
5 that some of that exists in the MoU at the moment. Maybe
6 the MoU is not the best way to do it, but at the moment, we
7 have not seen much discussion about what might take the
8 place of that rather than just letting it flow from our
9 current good cooperative arrangements. I don't know
10 whether or not there has been any consideration on what we
11 might do to, I guess, ensure that good arrangements
12 continue in the future.

13
14 MR CHANAN: The intent is to continue the strategic
15 relationship that we have at the senior executive level, so
16 that framework will still stay in place and that will be in
17 place to have an equal, level relationship rather than
18 State Water ticking a box of compliance. Similarly with
19 the relationship between the Water Commissioner and our
20 CEO, there is a monthly meeting regime in place at which
21 strategic level issues are discussed every month so that
22 will continue. I think there are certainly vehicles
23 available for us to have that relationship in place and to
24 continue it, even in the absence of an MoU obligation under
25 the licence.

26
27 THE CHAIRMAN: Thanks, Amit. Do you want to add
28 anything, Gary?
29

30 MR DRYSDALE: We basically support State Water's position.
31 We are just removing it from the licence. That means that
32 we will not go out and audit that the requirement is there.
33 We understand from both parties that they see it as an
34 important document, which they will continue. So taking it
35 from the licence doesn't mean that the document disappears;
36 it just means that we don't have to audit State Water every
37 few years to see that they have the MoU in place.

38
39 As State Water has indicated to us, it is a one-sided
40 thing where we audit. The agency could have been doing all
41 its best endeavours - and it is a best endeavours
42 arrangement, so how do you audit that? - to have this in
43 place, but if the other party, which we don't regulate,
44 does not come to the party, the MoU is not there. I am
45 saying that the obligation is not a very effective
46 obligation in the licence. The parties do want to continue
47 having the MoU; our view is just to take it out of the

1 licence.

2
3 THE CHAIRMAN: We are just finishing what is listed as
4 item 2 on the agenda. Before we move on to flood
5 management, are there any other comments? No?
6

7 Thank you very much, Gary and now we will move to item
8 3 on the agenda, which is flood management. First we will
9 have a presentation from IPART from Josh Tickell.

10
11 FLOOD MANAGEMENT
12

13 MR JOSH TICKELL: Thank you. Good morning, everyone.
14 My presentation will be on issues related to State Water's
15 flood management responsibilities. State Water have a
16 number of existing conditions which describe their
17 responsibilities regarding flood management. One of those
18 is from the State Water Act, which you can see on the first
19 slide. It describes the principal functions of State Water
20 Corporation, which include the function to capture, store
21 and release water for the purposes of flood management. In
22 addition to that, the existing operating licence mentions
23 flood management only in one place, with an obligation
24 that:

25
26 State Water must implement flood planning
27 and other operations instigated by the NSW
28 Dam Safety Committee.
29

30 That is just to point out that that obligation is already a
31 requirement of State Water under the Dams Safety Act, so it
32 is essentially redundant in the operating licence.
33

34 We received seven submissions on the issues paper, and
35 six of those mentioned the issue of floods, so we realised
36 this is a significant stakeholder concern. We had concerns
37 expressed from stakeholders who are downstream of some of
38 State Water's dams. They were worried that State Water
39 were not managing the levels of their dams as effectively
40 as they could be, particularly in regard to releasing water
41 in advance of expected rainfall to mitigate the effects of
42 downstream floods.
43

44 We had support from some stakeholders for the removal
45 of all flood management obligations. Those stakeholders
46 said that the operating licence was not the appropriate
47 regulatory instrument for addressing flood management.

1 Additionally, we had support for the inclusion of
2 additional or new flood management requirements in the
3 operating licence.
4
5 In looking at flood management in New South Wales and
6 where State Water sits in that, we investigated the roles
7 and responsibilities of the various New South Wales
8 government agencies related to flood management.
9 Floodplain planning is a cooperative responsibility between
10 local government areas and the Office of Environment and
11 Heritage. Works approvals are managed by the NSW Office
12 of Water. Dam safety oversight is undertaken by the Dam
13 Safety Committee. Dam emergency planning is managed by
14 the dam owners themselves, which includes State Water.
15 Flood forecasting is undertaken by the Bureau of Meteorology.
16 Flood operation rules are set partially in some of the
17 water sharing plans by the NSW Office of Water. Dam
18 operation during times of floods is again the
19 responsibility of the dam owners, and in the event of a
20 flood emergency, the SES take the lead role in responding
21 to that.
22
23 In addition to State Water, we have five state
24 agencies and one federal agency and a majority of
25 non-metropolitan local councils, depending on the location.
26 In addition to this, we have the Murray-Darling Basin
27 Authority, Snowy Hydro and Goulburn-Murray Water, who
28 also manage water courses that may affect State Water's ability
29 to manage a flood.
30
31 We concluded that the issue of flood management is
32 very complex and it was too large for us to adequately
33 address during an operating licence review and solely with
34 State Water. We considered that including any new
35 conditions in the licence would likely further complicate
36 the issue and also most likely introduce further
37 duplication with existing conditions which would make
38 outlining those responsibilities even more difficult than
39 they are at the moment.
40
41 Our proposal was to remove all existing obligations
42 related to flood management as these were essentially
43 redundant. We would also recommend to the minister, in our
44 final report, that a complete review of flood management in
45 New South Wales be undertaken from a whole of government
46 level, which would then allow us to amend the operating
47 licence in the future, based on the outcomes of such a

1 review.
2
3 This recommendation agrees with that made by
4 Infrastructure NSW in the recent State Infrastructure
5 Strategy, which concluded.
6
7 ... an underlying problem inhibiting
8 effective flood management in NSW is the
9 lack of clear governance. Current
10 arrangements spread responsibility for
11 flood management across multiple Government
12 agencies and local councils.
13
14 Infrastructure NSW recommended that the government
15 immediately conduct a review of the current
16 responsibilities with a view to ensuring that a single
17 entity has clear accountability for flood management within
18 the New South Wales state government. Thank you.
19
20 THE CHAIRMAN: Thank you very much, Josh. Amit?
21
22 MR CHANAN: In relation to flood management, I guess
23 I don't need to repeat the complexities involved and the
24 number of agencies who have some sort of stake in it.
25 State Water supports IPART's decision to remove flood
26 management obligations from our operating licence.
27
28 Just to confirm, in terms of our flood operations,
29 that would not mean that there are not rules out there. We
30 certainly do have rules that are under the work approval
31 conditions determined by the Office of Water that provide
32 us with what we need to do in terms of river and dam
33 operations, including rules in relation to flood
34 mitigation, channel capacity constraints and dam airspace
35 requirements in the case of some dams.
36
37 I just want to emphasise one small fact, which is
38 that State Water's role in flood management is actually
39 flood operations of the dams. When you talk about flood
40 management, a whole lot of downstream agencies are
41 involved - such as the SES and local government. There are
42 also planning issues and we have not had any role in that.
43 Therefore, I think your recommendations about reviewing
44 some of that and finding clarity would certainly help.
45 Thank you.
46
47 THE CHAIRMAN: Thank you, Amit. Are there any questions

1 or comments from the floor on flood management? No?
2
3 That was item 3 on the agenda. We will now move on to
4 item 4.
5
6 MS NARELLE BERRY: NSW Health still are not here and their
7 performance measures were supposed to be the next item.
8 Perhaps we should go on to performance indicators.
9
10 THE CHAIRMAN: I have just been told that NSW Health is
11 yet to arrive, so we are planning to move to item 6 on the
12 agenda, which is performance monitoring, and that will be
13 Josh again.
14
15 PERFORMANCE MONITORING
16
17 MR TICKELL: Thank you. This presentation is on a review
18 of State Water's performance indicators of which there were
19 a number existing in their current operating licence.
20
21 State Water's existing licence has 19 performance
22 indicators, which are reported yearly to IPART. These are
23 broken down into three categories: five of the indicators
24 relate to water delivery; seven indicators relate to
25 policing functions; and a further seven relate specifically
26 to the Fish River water supply scheme.
27
28 We reviewed performance indicators in a separate but
29 parallel process to the overall licence review. We used
30 targeted stakeholder consultation, inviting stakeholders,
31 and we had seven groups nominated to participate.
32
33 To lead the review, we developed a set of objectives
34 for useful and effective performance indicators, which can
35 be seen on the slide. Our objectives were that any
36 performance indicators must relate to a licence
37 requirement. We suggested then that we would not have
38 performance indicators unless there was a requirement of
39 the licence to which that performance indicator related.
40 The indicators should also demonstrate organisational
41 performance. They should be usable, contextual and
42 diagnostic. They should be cost effective to apply. They
43 should provide data to help develop performance standards,
44 particularly in areas where these performance standards do
45 not already exist. They should focus attention on areas of
46 public interest, and they should minimise the regulatory
47 burden.

1
2 Our general findings from the review and the
3 submissions from stakeholders, we grouped into each of the
4 categories of the new operating licence. We found that, in
5 the areas of water quantity, State Water's performance was
6 adequately reported in other ways, including National Water
7 Initiative yearly reporting and water accounting reports by
8 both State Water and the NSW Office of Water.
9
10 We will speak about that further in the water quality
11 section of the licence, but there are currently no specific
12 requirements related to the quality of water that State
13 Water provides, which lead to no performance indicators
14 being necessary.
15
16 Asset management, we will also speak about later.
17 This will be approached as part of a systems-type asset
18 management system, or asset management obligations, which
19 will be reported internally within State Water, externally
20 to IPART, and audited, and we considered that this was
21 sufficient and that no further indicators were required.
22
23 In the areas of customers, customer management and
24 customer service, we considered that four of the existing
25 water delivery indicators from the operating licence were a
26 better use as measures of customer service. We have
27 adopted four of these indicators and just revised the
28 wording for clarity, but ensuring that the data sets will
29 be able to continue.
30
31 Environmental management, similarly to asset
32 management, will be managed through a systems approach,
33 so we don't consider that there is any need for further
34 performance indicators there.
35
36 The Fish River systems specific indicators, we
37 consider will be covered through the environmental and
38 asset management systems, which will cover all of State
39 Water's operations including the Fish River system itself.
40
41 Finally, I refer to the four draft performance
42 indicators which we are proposing to adopt in the operating
43 licence. These are very similar to four of the current
44 indicators just with a slight rewording. The first is:
45
46 Percentage of customers who, after placing
47 a non-complying water order, are contacted

1 within 1 working day to rectify that order.
2
3 That has just been reworded for clarity. The second is:
4
5 Percentage of complying water orders
6 delivered outside of +/- one day of the
7 scheduled day of delivery, as measured by
8 Customer Complaints.
9
10 This being measured by customer complaints, as for the
11 majority of State Water's operations, is the only
12 measurable indicator we have of identifying whether a water
13 delivery has been successful.
14
15 The third is:
16
17 Percentage of complying water orders
18 rescheduled in consultation with an
19 affected Customer within 1 working day of
20 an expected water shortage or delay.
21
22 This indicator measures how quickly State Water is able to
23 reschedule orders when there is a problem with supply.
24 Finally:
25
26 Percentage of complying intra-valley
27 transfers processed within five working
28 days of State Water's receipt of a correct
29 application and fee.
30
31 Previously this requirement was within four days. However,
32 there is a COAG agreement that all states should have these
33 completed within five days, so we have updated this
34 indicator to match that COAG agreement. Thank you.
35
36 THE CHAIRMAN: Thank you very much, Josh. Amit?
37
38 MR CHANAN: I would like to congratulate the team on the
39 review of the performance indicators. It certainly is in
40 line with IPART's intended best practice regulation goals.
41 We have no objections and we support the four performance
42 indicators.
43
44 THE CHAIRMAN: Thank you very much, Amit. Are there
45 any questions or comments from the floor?
46
47 MR SIMPSON: I have not read the details on the

1 documentation deeply enough, but I am just wondering
2 whether IPART has considered the overall efficiency of
3 running a river as a performance measure and whether that
4 would be reflected anywhere.
5
6 What I mean by that is, in making releases to
7 customers, if you over-release, yes, you will meet the
8 requirements that are listed here, but obviously it can be
9 wasteful of water. I agree that there will be lots of
10 cases where that is deliverable, but wonder whether or not
11 there was some requirement to demonstrate that State Water
12 will maintain best practices in regard to something of that
13 nature.
14
15 MR DRYSDALE: I think we will take that on notice and we
16 look forward to your submission in response to it.
17
18 MR SIMPSON: Thank you.
19
20 THE CHAIRMAN: Thank you. Are there any other questions
21 or comments? If not, that's it for performance monitoring.
22
23 I am advised that morning tea will arrive at 11. It
24 is quarter to 11 and we are making rapid progress. I will
25 have to take advice from the staff about whether we should
26 start on systems approach or whether we should just have a
27 break before morning tea and then have morning tea.
28
29 MS BERRY: Perhaps we should have a break.
30
31 THE CHAIRMAN: We will adjourn now and come back at,
32 say, 11.10.
33
34 SHORT ADJOURNMENT
35
36 THE CHAIRMAN: We might resume now, thank you very
37 much. We will now deal with item 4 on the agenda, which is
38 the systems approach, and I will hand over to Narelle.
39
40 SYSTEMS APPROACH
41
42 MS BERRY: Thank you, Peter. In this presentation, we
43 discuss several areas where we have considered the adoption
44 of a systems based approach within State Water's operating
45 licence. These areas include assets, environmental quality
46 and general water management.
47

1 State Water's current licence employs a prescriptive
2 approach to describing State Water's specific operations in
3 the areas of assets and environmental management. It does
4 this by requiring the development of plans which suggests
5 specific context.

6
7 For example, State Water is required to develop an
8 environmental management plan. The environmental
9 management plan must address very specific environmental
10 concerns such as things like riverbank and bed erosion,
11 thermal impacts from the release of water, fish passage,
12 algal management, and energy management and waste
13 minimisation, among other things.

14
15 The asset management requirements are similarly
16 prescriptive; however, they generally refer to the
17 requirements of other regulatory instruments. In other
18 areas, there is currently no requirement for State Water,
19 for example, to manage drinking water quality from the
20 Fish River water supply scheme nor are there any quality
21 system requirements in the operating licence.

22
23 We recognise that there are both issues and constraints
24 with the current approach. While the Act requires some
25 prescriptive elements to be included in the operating
26 licence, we have found - with our other operating licences
27 and with this one - that prescribing the specific contents
28 of plans does not always achieve the desired outcome.

29
30 For example, it is only possible to prescribe
31 requirements in relation to circumstances that we are aware
32 of or are able to predict. As such, the licence does not
33 cover issues that have arisen and/or new industry standards
34 that have been developed during the term of the licence.

35
36 In its current prescriptive form, the licence cannot
37 be flexibly applied to appropriately manage risks,
38 especially in a changing operating environment. In
39 particular, prescriptive requirements focus State Water on
40 specific issues.

41
42 While these issues may have been important at the time
43 the licence was prepared, they will not necessarily be
44 given the same priority in five years time, which is the
45 term of an operating licence. Over this period, it is
46 possible for the operating environment to change
47 significantly, and we have experienced such changes in the

1 last two licence periods, such as with the worsening
2 drought and the recent rainfall.
3
4 Prescriptive allocations do, however, focus on
5 specific issues and are generally simpler to audit than a
6 systems approach.

7
8 In our issues paper, we considered whether to retain
9 the prescriptive approach to specify obligations in the
10 operating licence or to move to a small systems based
11 approach. In response to the proposed options, we received
12 several submissions. A number of the submissions expressed
13 concern at the potential for the approach to increase State
14 Water's operating costs, which would then flow on to
15 customers. There was also an expressed concern that the
16 systems approach might duplicate or conflict with
17 developing federal requirements. However, there was also
18 support for the flexibility of the systems approach and its
19 capacity to capture new issues as they arise.

20
21 As mentioned earlier, our issues paper identified four
22 areas of State Water's operating licence where a management
23 system could be considered for inclusion as a condition in
24 State Water's new operating licence. These areas were:
25 asset management; environmental management; business-
26 wide quality management; and drinking water quality of the
27 Fish River water supply scheme.

28
29 For each of these areas of State Water's operation, we
30 considered the following: the base case, which included
31 existing operating licence conditions and State Water's
32 current activities in these areas; and a proposed option
33 for changing the operating licence, as set out in our
34 issues paper. That was basically to move to systems
35 approaches.

36
37 The strengths and weaknesses of a systems management
38 approach in a licence is that effective management systems
39 can take into consideration all activities that have an
40 impact on the relevant subject area and are implemented
41 across all levels of the organisation regardless of its
42 size or function.

43
44 For example, by applying an environmental management
45 system approach to State Water, they will be required to
46 adopt a methodical approach for identifying all
47 environmental aspects and impacts on their business,

1 assessing those impacts and identifying actions to reduce
2 these impacts. This process inherently prioritises those
3 aspects and impacts that represent the greatest risk to the
4 environment so the focus of the business in those areas is
5 on those outcomes that are materially significant.

6
7 This is a much more comprehensive approach than naming
8 prescriptive requirements as it does not rely on the
9 licence to list all the impacts at the risk of missing or
10 alternatively overstating the importance of an
11 environmental aspect of the business. It also means that
12 the system will be capable of capturing other state and
13 federal regulatory requirements without conflicting with
14 these requirements.

15
16 The general approach to all management systems is that
17 they include a stakeholder communication and consultation
18 component to ensure stakeholders are adequately engaged -
19 and that is the component that Josh was talking about
20 earlier.

21
22 For example, in the EMS, State Water would be required
23 to identify all the stakeholders that have an interest in
24 environmental aspects and impacts and to consult with those
25 stakeholders.

26
27 Systems based approaches also include continual
28 improvement processes; so, unlike prescriptive licence
29 conditions, the action of the organisation should
30 incorporate lessons learned to continually improve its
31 position. Finally, management systems apply a consistent
32 framework to each operational area which allows the
33 integration of these frameworks and enables more effective
34 and efficient business management.

35
36 The quality management system and the environmental
37 management system are both well established and well
38 understood, with widely recognised audit and water
39 certification processes in place. The processes for the
40 Australian Drinking Water Guidelines now have several years
41 of audit experience through their application in other
42 States, as well as more recently through the Water Industry
43 Competition Act process in New South Wales, and the asset
44 management system standard which we propose is currently
45 being established internationally and is scheduled to be
46 finalised in mid-2013.

47

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22

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1 With regard to the draft operating licence, following
2 the review of the submissions received in response to the
3 issues, and also our cost benefit analysis, we recommended
4 that the operating licence adopt a systems standard
5 approach to environmental management AS-14001, which is
6 the environmental management systems standard and that the
7 operating licence require State Water to develop and
8 implement an asset management system consistent with the
9 ISO-55000 standard when it is released.

10
11 Both of these obligations have also been recommended
12 in recent operating licence reviews of other state-owned
13 utilities, but our final recommendations have tended to
14 move away from prescriptive licence conditions in favour of
15 asset management systems and also environmental
16 management system standards.

17
18 We also considered whether State Water must develop a
19 drinking water management system consistent with the
20 Australian Drinking Water Guidelines for the Fish River
21 water supply scheme. However, we considered that it was
22 best regulated through new Public Health Act requirements
23 and not the operating licence.

24
25 Finally, due to the relatively high potential cost and
26 general lack of information regarding State Water's
27 requirements and capacity to develop and implement a
28 quality management system, we do not support the proposal
29 to include a quality management system requirement in State
30 Water's operating licence at this time. However, we note
31 that there is a high degree of overlap between the QMS and
32 other management systems and, therefore, there is likely to
33 be an opportunity for State Water to achieve economies of
34 scope if more than one management system is adopted.
35 Given the lack of information available regarding State
36 Water's current systems, we are not able to estimate the
37 extent of these potential development and implementation
38 cost savings. This is an area that we will potentially
39 return to in future reviews if it is not adopted as our
40 operational audits indicate there would be some tangible
41 benefits to the quality management system.

42
43 THE CHAIRMAN: Thank you very much, Narelle. Amit?

44
45 MR CHANAN: Thanks, Narelle. State Water certainly
46 supports the approach to move towards standards systems
47 based regulation. The evidence from regulator research

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1 around the world suggests that the best that prescriptive,
2 complex regulatory standards do is drive a culture of
3 compliance and that is not what we want. The continual
4 improvement philosophy that is embedded in a standards
5 based approach is certainly something that we welcome and
6 we are supportive of the standards based approach.
7

8 Just one word on the regulatory requirements, though -
9 not one word, one sentence, maybe. We do feel that the
10 reporting requirements should be aligned with the
11 requirement of the systems report. It appears that we have
12 the best of both worlds or, if you like, the worst of both
13 words. We will have systems reporting requirements as well
14 as what we had before. We would ask IPART to review those
15 reporting requirements to bring them in line with systems
16 reporting requirements. That would sort of mitigate that
17 unnecessary overlap on reporting obligations. Thank you.
18

19 THE CHAIRMAN: Thank you, Amit.

20
21 IPART, do you have any comment on that?

22
23 MS BERRY: We hoped we had done that, but we will go back
24 and check the management systems standards and make sure
25 that we have achieved that.

26
27 MR CHANAN: Thank you.

28
29 THE CHAIRMAN: Are there any questions or comments
30 from the floor? No? Thank you very much.

31
32 That was item 4 on the agenda. We now move on to
33 item 5 on agenda. Narelle, again, thank you.

34
35 ISSUES IDENTIFIED SUBSEQUENT TO THE FINAL ROUND
36 OF PUBLIC CONSULTATION

37
38 MS BERRY: In this session, we cover those issues that
39 have been raised subsequent to the release of the issues
40 paper. No public consultation has occurred on these issues
41 to date, so we really are looking for a bit more feedback
42 on these areas, if we can.

43
44 The Fish River, I have just discussed in the systems session,
45 but basically State Water has two drinking water operations.
46 One of those is the Fish River water supply system where
47 they supply drinking water to Lithgow and several hundred

1 small customers. We believe that they will be covered by
2 the systems requirements and the Public Health Act, so we
3 have not addressed them any further.

4
5 State Water also supplies 68 local water utilities
6 with bulk water, which is around two-thirds of all rural
7 councils in New South Wales, which is then treated for
8 drinking water supplies. These are generally smaller
9 towns, but they also include some large towns such as
10 Tamworth and Dubbo.

11
12 The recent New South Wales Public Health Act requires
13 all drinking water suppliers including local water
14 utilities to prepare a drinking water management system
15 which includes consideration of all risks in a supply
16 system from catchment to consumer. For a majority of New
17 South Wales local water utilities, State Water is part of
18 that supply system.

19
20 We considered State Water's role in that supply system
21 and drafted proposed licence conditions. Those licence
22 conditions are as written on the slide and they are:

23
24 To maintain a register that lists names and contact
25 details of all local water utilities to which State Water
26 delivers water that will be used for the purposes of
27 drinking water;

28 To develop and implement procedures to notify local
29 water utility customers of any incident of which State
30 Water becomes aware that could adversely affect the quality
31 of the drinking water supplied by that utility; and

32 To develop and implement a procedure for providing
33 information to local water utilities' customers - that's
34 the councils themselves - to inform those customers'
35 drinking water quality assurance program which they are
36 required to develop under the Public Health Act.

37
38 There is also a final requirement or obligation, which
39 is that the licence also describes that the information
40 request procedure must include any fees State Water might
41 charge for this service that are not passed to the whole
42 customer base.

43
44 It is important to understand that we are not
45 obligating State Water to collect and share data where it
46 would not already be collecting that data or be aware of
47 it. We are not asking them to go out and practically find

1 new incidents or collect new monitoring data; it is just
2 incidents and any monitoring data that they are aware of
3 that might be of use to the local water utilities.
4
5 We are yet to do a full cost benefit analysis of this
6 because it has not gone out to submissions, but local water
7 utilities conduct risk assessments as part of their
8 drinking water management system. Giving access to more
9 information about their upstream systems could lead to more
10 accurate assessments of risk and could potentially reduced
11 costs for controls for the overall system.
12
13 For the local water utilities which extract water for
14 treatment, there are a number of options for dealing with
15 adverse quality. These might include lowering the flow
16 rate of water through a water treatment plant, increasing
17 chemical dosing, or ceasing to extract water and relying on
18 system capacity when an incident occurs. The longer the
19 lead time that a utility has in finding out about an event,
20 the more time it has to prepare and manage the event.
21
22 The costs of meeting these requirements would be
23 additional compliance and auditing costs, and in
24 administration, communication and resources to respond to
25 information requests. However, these could be partially or
26 fully offset by charging customers for the service, but as
27 I said, we are yet to undertake a full cost benefit
28 analysis.
29
30 THE CHAIRMAN: Thank you, Narelle, Amit?
31
32 MR CHANAN: In the context of the drinking water supply,
33 as most people would know, in the Fish River water supply
34 scheme, State Water does provide treated water to Oberon
35 and Lithgow primarily, but we also supply bulk water to the
36 Blue Mountains, which is Sydney Water's area of operation.
37 We have certainly fulfilled the requirements of what has
38 been discussed here in the context of the Fish River. We
39 have a drinking water quality management plan, which was
40 submitted to NSW Health.
41
42 Outside the Fish River area of operation, our role is
43 now to provide bulk water, or a dam or on an operator,
44 where we are not in control of our catchments that drain
45 into our dams. There is very little we can do in the
46 context of what water quality is coming into our dams.
47 Most of the local utilities that we are talking about get

1 their water from a few kilometres, and in some cases, a few
2 hundred kilometres downstream of our dam. So the quality
3 of the water that might be in the dam may have no
4 relationship to the quality of the water by the time it
5 gets to the pump where a local irrigator gets the water out
6 of the river.
7
8 We therefore disagree with the suggestion that we
9 should have any reporting obligation, because we believe
10 that it is, in effect, duplicating the existing reporting
11 frameworks that are already out there. In our view, it is
12 not effective regulation that is efficient.
13
14 We do have a water quality monitoring program in our
15 dams; that is, to fulfil cold water pollution requirements.
16 We also have water quality monitoring that fulfills the
17 algal monitoring obligations. Under those programs, we
18 notify the relevant state agencies, like the EPA or Office
19 of Water, the Regional Algal Coordinating Committee, and
20 they have their own communications protocols to notify
21 relevant local utilities.
22
23 By giving this function to us under our operating
24 licence, you are effectively duplicating a notification
25 system that is already in place. So State Water would
26 request IPART to remove this obligation from our licence.
27
28 The only other thing that IPART needs to be aware of
29 is that, at State Water, we are certainly not structured in
30 terms of our resources to fulfil what task involves. We
31 don't really have people in our structure who are catering
32 to local water utilities' water quality requirements. It
33 would mean additional costs on our operation that we
34 believe are unnecessary because there are existing
35 communication protocols that pass that same information to
36 local utilities in any case. Thank you.
37
38 THE CHAIRMAN: Thank you, Amit. Narelle, do you have
39 any comment on that?
40
41 MS BERRY: No, I don't. I think we should take that on
42 notice.
43
44 THE CHAIRMAN: Are there any comments or questions
45 from the floor? Yes, Paul.
46
47 MR SIMPSON: I would suggest that the Office of Water

1 probably agrees with State Water, by and large, on this in
2 that water quality is a bigger issue and State Water only
3 have a fairly small area of operation. We tend to think of
4 it as a collective effort across a number of agencies
5 including the Office of Environment and Heritage as well.
6
7 If there was to be some sort of overall plan for this,
8 then State Water would have a role to play, perhaps at
9 storage locations where they have a significant operation
10 going on, where they could assist in reporting or
11 monitoring. However, I don't know that State Water would
12 be able to tell a local utility anything that it could not
13 find from some other publicly available information.
14
15 THE CHAIRMAN: Thank you, Paul. Would anyone else like
16 to comment?
17
18 MR PAUL BYLEVELD: Paul Byleveld, NSW Health. NSW
19 Health
20 works with local water utilities to support the development
21 of drinking water management systems. This is a new
22 requirement under the Public Health Act and it commences on
23 1 September 2014.
24
25 What we understand from some local water utilities is
26 that they may be affected by a release from storage some
27 distance upstream. The water chemistry may change. It may
28 mean that operators have to consider and organise the water
29 treatment. I think the information that a release has
30 occurred may be of benefit to a local water utility.
31
32 In terms of how this is communicated, I note that
33 State Water operates an early warning network where
34 downstream users can subscribe to be notified by email, SMS
35 or as a message to landline telephones. I wonder whether
36 this would be a mechanism whereby State Water could inform
37 local water utilities so that they could subscribe to this
38 early warning network so they might be informed of releases
39 from storages.
40
41 In terms of incidents, the incident that I picture
42 that might be of concern, other than a change in water
43 chemistry because of release, is a cyanobacteria or
44 blue-green algal bloom. That is notified through the
45 regional algal coordination committees. The committees
46 then provide a mechanism. I suppose I would be interested
47 to explore whether State Water is in a position to add
value to what is already occurring through the regional

1 algal coordination committees.
2
3 My other thought is that they be a role for State
4 Water in providing information, on request, to water
5 utilities that may be developing drinking water management
6 systems. I probably don't know enough about what local
7 water utilities require, but it may be useful if State
8 Water is able to have a conversation with those utilities
9 about the general nature of releases and when they occur,
10 if they are not already aware of them. Those were just
11 some reflections at this point.
12
13 THE CHAIRMAN: Thank you, Paul. Are there any other
14 questions or comments?
15
16 MR CHANAN: Can I make a comment, Mr Chairman, on
17 what
18 Paul said?
19
20 THE CHAIRMAN: Yes.
21
22 MR CHANAN: In the context of our relationship with the
23 local utilities, Paul, they are customers like any other
24 bulk water customers and we are acceptable to meeting their
25 requirements. However, I am more referring to the specific
26 requirements in the operating licence about notification.
27 As Paul said, there are already existing notification means
28 out there which use our existing information, whether it is
29 RACC or whether it is cold water pollution monitoring,
30 I don't see how that could make the process efficient. It
31 will only duplicate something that is already happening.
32
33 With regards to the early warning network, we
34 certainly use the early warning network for algal bloom
35 notification. That assists that process, and that is
36 already in place, thank you.
37
38 THE CHAIRMAN: Thank you, Amit. I think the issue, or one
39 aspect of the issue that is up for discussion, is that if
40 these local water authorities are your customers and you
41 discover something in a particular dam as part of your
42 routine monitoring and checking, whether you should pass
43 that information on to a local water authority who, let's
44 say, is two or three kilometres down the river from the dam
45 or whether there should just be reliance on the existing
46 processes in place, which means that you notify and, having
47 notified, it eventually goes through the various government
agencies and, yes, they could look up the website; they

1 could do that. I think that's the issue.
2
3 MR CHANAN: I think I would give more credibility to the
4 existing protocols. The RACCs certainly do have a good
5 communication protocol to notify of algal blooms. So if,
6 like you said, we see in doing our surveillance there is
7 algal bloom come up in a dam, we follow the algal
8 protocols. There are very stringent requirements as to who
9 has to be notified. There are requirements with regard to
10 media releases and so on. It is not a process of the
11 information being filed in a government office somewhere.
12 There certainly are existing protocols and I am confident
13 that that system does work.
14
15 THE CHAIRMAN: Nobody is suggesting that the information
16 is filed away. The question is whether you communicate
17 directly with your customers or whether you communicate
18 through the general protocols, and the point you have made
19 is that this would be an additional responsibility.
20
21 MR CHANAN: Yes.
22
23 THE CHAIRMAN: Are there any other questions or
24 comments, discussion? Paul, from Health NSW.
25
26 MR BYLEVELD: I just wish to clarify something. If a
27 water utility were to subscribe to State Water's early
28 warning network, would it be informed of all releases from
29 the relevant storage?
30
31 MR CHANAN: Not every single release. With a greater than
32 usual operational release, they will be, yes. So we have a
33 band, where if the flow change significantly, we do notify
34 them, yes.
35
36 MS AMANDA CHADWICK (IPART): Just to help the
37 conversation along so that we are all appropriately informed,
38 what is the time limit for the early warning? If you issue it,
39 how soon can they monitor it?
40
41 MR CHANAN: As I understand, Amanda, it is an SMS system.
42 People who register with the early warning network, may
43 just want notification for flood releases or they may want
44 it for all sorts of notifications that we can give for a
45 particular dam site. Once we intend to change flow
46 release, a few hours before that happens, we give out a
47 notification that State Water will be making a change to

1 its flows at certain times so they know a couple of hours
2 before that change is put in place. That is already
3 happening right now.
4
5 MS CHADWICK: Thank you.
6
7 THE CHAIRMAN: Are there any other questions or
8 comments? We are towards the end of the agenda, so this is
9 your last opportunity.
10
11 MS BERRY: I have a couple of more of my slides.
12
13 THE CHAIRMAN: I beg your pardon, Narelle.
14
15 MS BERRY: I think there are three more areas where we
16 have made changes that we have not discussed previously.
17
18 The next are is procedure for payment difficulties.
19 There is an existing condition in the licence that requires
20 State Water to have in place a code that provides for
21 deferred payment or payment by instalment and also to
22 provide a point of contact for customers in financial
23 hardship.
24
25 We are proposing changes that include requiring State
26 Water to outline the conditions for the suspension of water
27 licences, which we understand is something that has
28 commenced in the past 18 months, and also to provide to
29 customers annually, with their bills, the information on
30 what procedures are available for financial hardship.
31
32 I also might note that we changed the wording from
33 "customers experiencing financial hardship" to "customers
34 experiencing payment difficulties." Importantly, we have
35 included a requirement to outline the conditions, as
36 I said, for suspension of water licences due to non-payment
37 of accounts.
38
39 THE CHAIRMAN: Thank you, Narelle.
40
41 MR CHANAN: State Water is happy to accept the inclusion
42 of this condition. We already have our debt management
43 code of practice publicly available and we will endeavour
44 to prepare a procedure for the payment difficulties code as
45 well for public information.
46
47 THE CHAIRMAN: Thank you. Any comments or questions on

1 payment difficulties from the floor? No?
2
3 The next one, Narelle, thank you.
4
5 MS BERRY: There was an amendment made to the State Water
6 Act in 2009 which said:
7
8 State Water may, if the operating licence
9 so provides, operate, replace, repair,
10 maintain, remove, connect, disconnect or
11 modify metering equipment it does not own.
12
13 We have given this power in the licence now 2009. The
14 Hansard records and the second reading of this amendment
15 stated that this change was to establish the necessary
16 mechanisms to enable the roll-out of metering projects in
17 the Murray-Darling Basin and the Hawkesbury-Nepean
18 catchment in New South Wales. We took from that that it
19 was intended to be included in the operating licence.
20
21 I will note on that one that it does not mean that
22 State Water has to perform those functions; it is just
23 that they have the power to undertake those functions.
24
25 THE CHAIRMAN: Thank you. Amit?
26
27 MR CHANAN: State Water is in favour of the proposed
28 changes. With regards to the wording of 4.2.2, it is
29 somewhat convoluted wording that comes directly from the
30 Act. Perhaps we could simply refer to the section. That
31 is just a suggestion that may simplify it a little bit.
32 Thank you.
33
34 THE CHAIRMAN: Are there any comments from the floor
35 on the new metering function?
36
37 MS STEFANIE SCHULTE: Stefanie Schulte from the New
38 South Wales Irrigators Council. We support the clarification
39 of section 4.2.2 to at least outline the scope of what this
40 particular amendment relates to.
41
42 We also want to draw the attention of IPART to
43 proposed amendments to the Water Management Act and to
44 ensure that those rules comply with the operating licence
45 as well, because currently they are not quite compliant with
46 the relevant acts and the future operating licence
47 potentially.

1
2 THE CHAIRMAN: Thank you, Stefanie.
3
4 Are there any comments from IPART? Any further
5 comments on the water metering new metering function?
6
7 We will move on to the next one, thank you, Narelle.
8
9 MS BERRY: State Water is required to prepare annual water
10 balances for all their valleys. The existing water
11 balances are prepared in accordance with State Water's
12 internal procedures. We are proposing an amendment and it
13 has been mainly inserted into the report manual, which is a
14 document that accompanies the operating licence.
15
16 The reporting now includes some requirements on these
17 water accounting reports, including that they must be
18 prepared in accordance with the Australian water accounting
19 standard, which is a standard that has been developed under
20 the National Water Initiative. It includes a caveat that
21 State Water is no longer required to produce those reports
22 in valleys where the NSW Office of Water prepares annual
23 water account reports.
24
25 THE CHAIRMAN: Thanks, Narelle. Amit?
26
27 MR CHANAN: State Water disagrees with this
28 recommendation, I guess, primarily, because we feel that,
29 over the last 20 years, New South Wales has made a great
30 leap forward in terms of national water initiatives. One
31 of the key drivers in that was the separation of the water
32 delivery operation function from the resource management
33 function. What this clause does is sort of blur that
34 boundary and gets us to do a resource management function.
35 We do not believe it is in line with the NWI. Apart from
36 that, it is a very resource-intensive exercise that State
37 Water is not resourced to do as well, so we oppose the
38 proposed changes.
39
40 THE CHAIRMAN: Thanks Amit. Are there any questions or
41 comments. Stefanie?
42
43 MS SCHULTE: We also believe that NOW should be the sole
44 responsible authority to undertake that reporting, not
45 State Water, especially because State Water's primary
46 responsibility is the efficient and effective operation of
47 its infrastructure and not resource management, so we

1 disagree with that proposed amendment.
2
3 THE CHAIRMAN: Thank you, Stefanie. Paul?
4
5 MR SIMPSON: I think NOW does see itself as the lead
6 agency for reporting. The only thing I would say with
7 regard to State Water requirements is that we rely on State
8 Water to provide a lot of the information that they
9 collect.
10
11 Previously in this basic water balance of a system
12 licence and where the water went, there was an input to the
13 accounting that occurred in the NWI standards. We would
14 not want to see any backward step from that and perhaps it
15 might be more useful for State Water to be required to
16 provide that information that necessarily derives from the
17 operations of their business to inform that high level
18 reporting.
19
20 THE CHAIRMAN: Thank you, Paul. What would State
21 Water say to those suggestions?
22
23 MR CHANAN: I think Paul's suggestion does have merit, but
24 it could be addressed through an existing condition that we
25 have in relationship with the Office of Water. It does not
26 necessarily need to be put in an operating licence, in our
27 view.
28
29 FINAL REMARKS:
30
31 THE CHAIRMAN: Thank you very much. That brings us to
32 the end of the agenda, so I will make some concluding remarks.
33
34 I would like to outline the next steps in recommending
35 the terms and conditions of the new operating licence. In
36 the next two months or so, IPART will revise the cost
37 benefit analysis of any proposed changes to the licence
38 based on these submissions and the outcome of this public
39 forum today. To ensure the cost benefit analysis is
40 robust, IPART will contact relevant stakeholders to request
41 their input in the specific costs and benefits of various
42 options.
43
44 Following the revision of the cost benefit analysis,
45 IPART will finalise the terms and conditions of the
46 operating licence and make our recommendations to the
47 minister. During the same period, IPART will finalise the

1 reporting manual.
2
3 The tribunal will recommend an amended operating
4 licence to the minister so that it can commence on 1 July
5 2013.
6
7 The timetable to achieve this target has been posted
8 on our website. As mentioned previously, IPART will make
9 available a transcript of today's proceedings on our
10 website within the next week.
11
12 I would like to thank you all very much for attending
13 today and for your contribution on the end-of-term review
14 of State Water's operating licence. Thank you.
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16 AT 11.49AM THE TRIBUNAL ADJOURNED ACCORDINGLY
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