

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

SYDNEY WATER OPERATING LICENCE END OF TERM REVIEW

Tribunal Members

Dr Peter Boxall AO, Chairman
Ms Catherine Jones, Member
Mr Ed Willett, Member

Members of the Secretariat

Mr Hugo Harmstorf, Chief Executive Officer,
Dr Kaye Power, Ms Jessica Hanna, Mr Gary Drysdale,
and Mr Matt Edgerton,

At the Sydney Masonic Conference and Function Centre
66 Goulburn Street, Sydney

On Monday, 30 March 2015, at 10.00am
.30/03/20151

Transcript produced by Merrill Corporation

1 AGENDA ITEM 1 - OPENING REMARKS

2
3 THE CHAIRMAN: Thank you all very much for coming.
4 I would like to welcome you to this public forum on the end
5 of term review of Sydney Water's operating licence.
6
7 My name is Pater Boxall and I am Chair of IPART. I am
8 joined today by my fellow Tribunal members, Catherine Jones
9 and Ed Willett. Assisting the Tribunal today are IPART
10 secretariat members Kaye Power, Jessica Hanna, Gary
11 Drysdale and Matt Edgerton.
12
13 Again I would like to thank you for taking the time to attend
14 today's forum. Also I would like to thank those of you in
15 advance who are planning to make written submissions
16 in response to our draft licensing package for Sydney
17 Water. These submissions will be made available to the
18 public on our website after the submission closing date of
19 7 April 2015.
20
21 All submissions received will be carefully considered
22 by us in developing our findings and recommendations. We
23 will also consider the matters raised in today's
24 proceedings.
25
26 The purpose of today's public forum is for us to
27 obtain further stakeholder input to our review of Sydney
28 Water's operating licence, through a structured discussion
29 of the draft licensing package. We released the draft
30 licensing package for public consultation on 10 February
31 this year. The Sydney Water Act specifies that the maximum
32 term of the operating licence is five years. The current
33 licence will expire on 30 June 2015.
34
35 The purpose of this end of term review of Sydney
36 Water's operating licence is to recommend to the Minister
37 for Natural Resources, Lands and Water conditions to be
38 included in Sydney Water's new operating licence. The new
39 operating licence is expected to take effect on 1 July this
40 year.
41
42 Sydney Water's operating licence sets out the terms
43 and conditions under which it carries out its functions.
44 The primary role of the operating licence is to ensure that
45 Sydney Water provides an adequate level of service to its
46 customers, given that it is a monopoly supplier of
47 essential services.

.30/03/2015

2

Transcript produced by Merrill Corporation

1
2 In reviewing the licence, our approach is to maintain
3 the existing conditions unless it is clear that a proposed
4 change would likely result in a net benefit to the
5 community.
6
7 In considering potential licence requirements, it is
8 important to be mindful that many of the potential
9 environmental and health impacts of Sydney Water are
10 regulated by other instruments.
11
12 In recommending the terms of the operating licence, we
13 are seeking to avoid duplicating the requirements of other
14 regulatory instruments and to avoid imposing unnecessary
15 costs on Sydney Water while also identifying any gaps in
16 the regulation of Sydney Water's functions.
17
18 Before we commence today's proceedings, I would like to
19 outline the process of this public forum. If you look at
20 the agenda, the public forum has been divided into a number
21 of areas of interest:
22
23 The first session considers water quality.
24 The second session considers water quantity or, in
25 other words, potential licence provisions relating to water
26 conservation.
27 The third session considers asset management,
28 specifically asset management systems, response time for
29 water main breaks and the priority sewerage program.
30 After this, there would be a break for lunch. When we
31 return after lunch, the fourth session considers the issue
32 of water pressure for fire fighting purposes and how this
33 could be addressed.
34 The fifth session considers elements of Sydney Water's
35 customer contract, which forms part of Sydney Water's
36 operating licence.
37 The sixth session looks at environmental obligations
38 in the operating licence.
39 The final session provides an opportunity for
40 stakeholders to raise any other issues that may have been
41 missed or not sufficiently dealt with during today's
42 discussions.
43
44 For each session, IPART's secretariat will give a
45 brief introduction. I will then invite participants at the
46 table to provide comment on that topic. I ask that you
47 please limit your opening comments to a maximum of five

.30/03/2015

3

Transcript produced by Merrill Corporation

1 minutes. You may then have an opportunity to provide
2 further comment, if you wish, subject to time constraints.
3
4 Following discussion by those around the table, I will
5 then invite comments from those in the general audience.
6
7 Today's hearing will be recorded by our transcribers.
8 Therefore, to assist the transcribers, I ask that, on all
9 occasions, you please identify yourself and, where
10 applicable, your organisation before speaking. I also ask
11 that you please speak clearly and loudly. A copy of the
12 transcript of today's proceedings will be made available on
13 our website next week.
14
15 The IPART secretariat will now introduce the first
16 session on water quality and I call on Kaye Power.
17
18 AGENDA ITEM 2 - WATER QUALITY
19
20 DR POWER: Thank you, Mr Chairman. Water quality is
21 important for the protection of public health. The
22 provision of safe drinking water is one of Sydney Water's
23 primary responsibilities. Chapter 2 of the draft operating
24 licence covers water quality, and the objectives and the
25 obligations are intended to ensure that Sydney Water
26 continues to provide safe drinking and recycled water.
27
28 We have only made minor changes to the water quality
29 chapters. We have reworded the water quality obligations
30 for drinking water and recycled water to ensure the
31 development of a system for the management of water quality
32 that is consistent with the Australian Drinking Water
33 Guidelines and the Australian Guidelines for Water
34 Recycling. The management systems need to be implemented
35 to the satisfaction of NSW Health as the primary health
36 regulator.
37
38 In line with our objectives of removing regulatory
39 duplication, we have removed the reference to specific
40 requirements in the Fluoridation Code in the draft
41 operating licence. However, we have retained the
42 requirements to report to NSW Health as part of the
43 reporting manual, which sits with the operating licence.
44
45 We have also made some changes in public reporting
46 requirements. Sydney Water currently reports quarterly.
47 We are proposing to increase public reporting from

.30/03/2015

4

Transcript produced by Merrill Corporation

1 quarterly to monthly.
2
3 We are interested in stakeholder views on our proposed
4 water quality obligations. In particular:
5 What is the role of the NSW Health in managing water
6 quality?
7 How should this be expressed in the licence?
8 Should the fluoridation requirements stay in the
9 licence?
10 Are there any other issues with water quality that
11 need to be considered or stakeholders feel they need to
12 raise?
13
14 THE CHAIRMAN: Thanks, Kaye. Sydney Water, would you
15 like to make any comments? Kevin?
16
17 MR YOUNG: Thanks, Mr Chairman. Thank you for the
18 opportunity to be here today. We are strong supporters of
19 the operational licence and what it has delivered over the
20 years. I think it has delivered great value for customers
21 and it has also been, with what IPART does, a very
22 transparent process involving the public, so I appreciate
23 that, Mr Chairman.
24
25 THE CHAIRMAN: Thank you.
26
27 MR YOUNG: We are broadly supportive of the changes that
28 IPART proposes to make here. We see that IPART's approach
29 is to drive towards a more system approach to the licence
30 and we also support that.
31
32 From Sydney Water's viewpoint, we already manage our
33 drinking water and recycled water in accordance with the
34 Australian Drinking Water Guidelines and the Australian
35 Recycled Water Guidelines to the satisfaction, we believe,
36 of NSW Health. But what you are proposing is to bring it
37 in line with the new management system and that will align
38 the way we operate into the new system and continue to
39 ensure from the system perspective good quality outcomes
40 for the customers.
41
42 We currently have a management system to manage
43 drinking water quality and what we are doing is we are
44 moving as fast as possible to implement a management system
45 to manage recycled water quality. The team advise me we
46 are fast-tracking that to have it implemented by 1 July
47 2015 in line with your requirements.

.30/03/2015

5

Transcript produced by Merrill Corporation

1
2 There are a couple of minor drafting requirements and
3 there is an issue of reporting. Sandra Gamble will speak
4 to that.
5
6 MS GAMBLE: I am Sandra Gamble from Sydney Water.
7 Thanks for the opportunity. We are committed to an open and
8 transparent reporting arrangement with customers on water
9 quality and outcomes and how we achieve these. We want to
10 make sure we provide information to customers and the
11 community that is relevant, of interest to them and we
12 think we provide it in an effective way.
13
14 We will be requesting, though, that we keep the
15 reporting to quarterly rather than monthly to allow us to
16 prepare a report that meets both the operating licence and
17 the Sydney Water Act requirements.
18
19 We are happy to report publicly on water quality and
20 recycled water outcomes, however, the proposed change to
21 modify the reporting to monthly reporting instead of
22 quarterly does not align with our public reporting
23 requirements under the Sydney Water Act.
24
25 Having requirements for both monthly and quarterly
26 customer reports would mean a significant increase in the
27 numbers of reports. That would go from 4 to 16. To do
28 this, that would need a significant increase in resources
29 for possibly little benefit. This will not restrict us, of
30 course, from providing information to the public. For
31 example, we are already working with NSW Health on a
32 project to provide more frequent updates on water quality
33 parameters via a page on our website.
34
35 We would prefer to provide our compliance reports
36 against the water quality management systems to be provided
37 to IPART only because this may contain some information
38 that is commercially sensitive. This report is replacing
39 our annual report against the five-year drinking water
40 quality plan which we currently provide to IPART only.
41 The report will contain technical and commercial in
42 confidence information. Drafting the report in a way that
43 is easily understood by an audience may make the report
44 less useful to the regulators.
45
46 THE CHAIRMAN: Thanks, Sandra. Is there anything else
47 from Sydney Water at this stage? Paul, from NSW Health.

.30/03/2015

6

Transcript produced by Merrill Corporation

1
2 DR BYLEVELD: Thank you. NSW Health supports the proposed
3 operating licence obligations in relation to implementing
4 and maintaining drinking water and recycled water
5 management systems. From a NSW Health perspective, IPART
6 has a well-established and well-regarded audit process to
7 verify certain measures that Sydney Water has in place.
8
9 There is a potential for duplication with the
10 requirements of the Public Health Act 2010. To address
11 this duplication, the Chief Health Officer has exempted
12 Sydney Water from a requirement for a drinking water
13 quality assurance program for the duration of its current
14 operating licence and, provided the obligation continues to
15 the new licence, the exemption will be granted again.
16
17 NSW Health agrees that the outputs of a drinking water
18 quality management system could adequately address the
19 reporting requirements and additional reporting
20 requirements that existed previously, for example, the
21 five-year drinking water quality management plan would no
22 longer be necessary.
23
24 NSW Health supports the retention of other obligations
25 relating to water quality, for example, fluoridation, and a
26 memorandum of understanding in the operating license.
27 NSW Health considers that the operating licence is a very
28 appropriate mechanism to set out the key government
29 requirements of public interest in a succinct and
30 accessible form.
31
32 THE CHAIRMAN: Thank you, Paul.
33
34 Any comments from the floor? Would anybody like to
35 make a comment? Yes, thank you.
36
37 MS NORRIE: I am Emma Norrie from the Sydney Coastal
38 Councils Group. Could you explain why you have proposed
39 to increase the reporting from quarterly to monthly?
40
41 THE CHAIRMAN: Thanks, Emma. Kaye?
42
43 DR POWER: The reporting requirement was increased. Part
44 of what we wanted to do with these changes was to also
45 bring it in line with the other large utility's reporting
46 requirements as well. Hunter Water has a requirement to
47 report monthly, so the aim was to have the same sort of

.30/03/2015

7

Transcript produced by Merrill Corporation

1 reporting requirements for consistency.
2
3 The one thing that Hunter Water does not have is the
4 requirement within their own Act to actually have that
5 quarterly reporting, so we may in fact end up with a
6 duplication that may not be necessary. We will have to
7 look into that a bit further.
8
9 We also wanted to look at reducing that obligation.
10 The quarterly report is a large report. The monthly report
11 we were anticipating would be a smaller amount of
12 information provided. So it is a different sort of
13 reporting as well.
14
15 THE CHAIRMAN: Thanks, Emma. Anybody else from the floor?
16
17 MR M PORTER: My name is Mark Porter. I am from Fire and
18 Rescue NSW. We are actually trying to understand why
19 Sydney Water requires a double-check valve on supplies to
20 fire services when other states only require single.
21
22 THE CHAIRMAN: Thanks, Mark. Kevin?
23
24 MR YOUNG: Could we address that in the asset management
25 section and we can do some research on that over that time?
26
27 THE CHAIRMAN: Is that okay if we hold that over to asset
28 management, Mark?
29
30 MR PORTER: Yes, that's fine.
31
32 THE CHAIRMAN: Thank you, Mark. Is there anybody else?
33
34 MR YOUNG: For clarification, it is true that, under our
35 Act, it says that we do quarterly reporting and there is a
36 lot of detail in that. That goes back into the history of
37 the organisation. It is something that we are very proud
38 of in our water quality for the people of Sydney.
39
40 I think there is an issue about if there is ever an
41 incident or a water quality query, there is an immediate
42 notification to Health. It is an instant response and we
43 would get out there straight away. It is that overview of
44 the reporting and, at the moment, I think the issue for us
45 is that it is quite detailed.
46
47 We were doing a check the other day on the interest of

.30/03/2015

8

Transcript produced by Merrill Corporation

1 the community in our very detailed report. I think, in the
2 last 12 months, there were zero downloads on the report.
3
4 It comes to a question of that we believe in
5 transparency to the community, in reporting that provides
6 benefit to the community in a fashion that they can get the
7 information they want and there is a trust and
8 transparency. That is the work that Sandra talked about
9 with Health. We are talking about is there something we
10 could do on a specific page where customers could find out
11 information.
12
13 MS GAMBLE: I think it is in Sydney Water's interests to
14 be transparent. We strongly believe that.
15
16 MR YOUNG: Yes.
17
18 MS GAMBLE: We believe that it is inherent in the trust
19 that the community places on us that we provide relevant
20 information. We don't necessarily need a regulatory
21 obligation to do that. We already feel that that's
22 something that we should be doing and we will be working
23 with Health to make sure that we're doing that in a way
24 that is timely and in a form that is of interest to
25 customers.
26
27 MR YOUNG: That is the issue, I think.
28
29 THE CHAIRMAN: There are two issues here. One is whether
30 you would duplicate and report monthly as well as quarterly
31 and then there's another issue about whether the reporting
32 should be in the operating licence because it is in your
33 legislation and is part of your responsibility.
34
35 MR YOUNG: That's it.
36
37 THE CHAIRMAN: That is why we have these draft reports and
38 have these sessions, to get these things out on the table,
39 that's good. As Kaye indicated, we will give further
40 thought to that and no doubt there will be some
41 submissions, including from Sydney Water, on this topic.
42
43 MR YOUNG: Yes.
44
45 THE CHAIRMAN: Is there anything else on this topic? We
46 can always revisit it at the end. We can move to the
47 second item on the agenda, which is "Water Quantity

.30/03/2015

9

Transcript produced by Merrill Corporation

1 (Water Conservation)". I again call on Kaye.
2
3 AGENDA ITEM 3 - Water Quantity (Water Conservation)
4
5 DR POWER: Thank you. Chapter 7 of Sydney Water's current
6 operating licence addresses water conservation. The
7 obligations in the licence are prescriptive and include
8 very specific water use targets. In the draft operating
9 licence we have changed the name of this chapter to
10 "Water Quantity" and moved it to chapter 2. We have made a
11 number of significant changes to the obligations.
12
13 In line with the best regulatory practice, we have
14 replaced prescriptive licence obligations with
15 more flexible system based requirements. We have
16 included the requirement for Sydney Water to develop a
17 methodology for determining the economically efficient
18 level of water conservation. A report outlining the
19 methodology, which must also cover water leakage, water
20 recycling and water efficiency, will be completed by
21 30 December 2015.
22
23 Currently, within the draft licence, there is no
24 requirement for any agency to approve the methodology.
25 Current reporting of water conservation is against a static
26 five-year water conservation plan. In the draft licence
27 this has been changed to a rolling five-year report. This
28 report will outline the elements of Sydney Water's water
29 conservation activities for the previous financial year and
30 for at least the next five years.
31
32 The report is to detail Sydney Water's water
33 conservation objectives, targets and timetables for
34 achieving these. At a minimum, it must include the
35 strategies, programs and projects relating to water
36 leakage, recycled water and water efficiency and how each
37 of these elements relate to the economically efficient
38 level of water conservation.
39
40 We believe this will allow Sydney Water to respond
41 more quickly to climatic changes, such as drought, the
42 development of a Metropolitan Water Plan and the
43 economically efficient level of activity.
44
45 To ensure transparency, the annual water conservation
46 report will be publicly available and will also need to
47 include information on the level of water leakage from

1 Sydney Water's drinking water supply system, the volume of
2 water sourced from recycled water and the quantity of
3 drinking water drawn by Sydney Water from all sources.
4
5 The importance of the role of Sydney Water in the
6 development and implementation of the Metropolitan Water
7 Plan is recognised with the additional requirement in the
8 operating licence for Sydney Water to use its best
9 endeavours to develop a roles and responsibilities protocol
10 with the Metropolitan Water Directorate.
11
12 The protocol is to cover the development and
13 implementation of the Metropolitan Water Plan. This
14 obligation also takes into consideration that the
15 Metropolitan Water Plan is still under review.
16
17 Importantly, any obligation placed on the operating
18 licence need to be auditable. Sydney Water will need to
19 demonstrate to an auditor that it has used its best
20 endeavours to establish a roles and responsibilities
21 protocol.
22
23 In our discussions today we are looking for
24 stakeholders' comments on the proposed obligations.
25 Specifically, do they provide sufficient transparency and
26 accountability? Do they ensure that Sydney Water invests
27 in the optimum level of water conservation activity? Should
28 IPART approve Sydney Water's methodology? Are there
29 any other comments on water conservation requirements and
30 are there any other issues that we have not considered in
31 drafting the licence or the reporting manual?
32
33 THE CHAIRMAN: Thanks very much, Kaye. Are there any
34 comments from Sydney Water?
35
36 MR YOUNG: Thank you, Kaye, and thank you, Chair. I will
37 go through a couple of those. I should say that we are
38 broadly supportive of what you're putting forward in this
39 area. We think that the relevant responsibilities protocol
40 is the right way forward. I think that the Metropolitan
41 Water Plan has been a great vehicle for Sydney and it is a
42 genuinely whole-of-government exercise that has been very
43 effective.
44
45 We agree that there should be an agreed protocol about
46 Sydney Water's role and formalising that role in metro
47 water planning. We think that's a sensible recommendation

1 and we will use our best endeavours in accordance with what
2 you're saying.

3
4 The economic level of water conservation goes back to
5 comments I was previously making. I think the licence in
6 its heart, where it has done well over the years, is
7 driving value for the community and that's what we all
8 believe in, driving that best outcome for scarce resources,
9 that the community does get good value out of it, and we
10 see that the proposals are determining an economic level of
11 water conservation, that it be collaborative and
12 consultative and that the community should be sure that we
13 are spending our resources to drive value for the
14 community.

15
16 Rather than individual targets, we see this approach
17 as more holistic and a business-wide approach to assess
18 ongoing and new investment in this area. We believe that
19 if we do this well, we will get better outcomes for
20 customers to find the right level of activities in each of
21 those areas.

22
23 MS GAMBLE: We strongly support the intent and the
24 objective of the proposed economic level of water
25 conservation at least. This will encourage Sydney Water to
26 take a holistic and business-wide approach to assessing
27 ongoing and new investment in water conservation. It also
28 provides what we believe to be better outcomes for
29 customers compared with existing obligations that focus on
30 single elements of water conservation, that is, leakage,
31 demand or recycling.

32
33 The economic level of water conservation will help us
34 to find the right level of water conservation activity,
35 which may go up or down as we respond to the marketplace
36 and climate conditions. I'll call it the ELWC. The proposed
37 ELWC will be based on a holistic economic assessment of
38 water conservation activities, not a simplistic financial
39 one. This will allow us to capture externalities beyond
40 purely financial costs. How we do this will be quite
41 challenging. It is something that we want to consult with
42 customers, the community and other stakeholders on.

43
44 That is why we'd like a little bit more time to
45 develop this measure and report to IPART. We will be
46 seeking a deadline of June 2017 to allow time to develop a
47 methodology that is robust and workable, consider how the

.30/03/2015

12

Transcript produced by Merrill Corporation

1 measure will interact with our internal business processes
2 and other measures, such as BASIX and the Metropolitan
3 Water Plan, consult with external stakeholders, such as the
4 Metropolitan Water Directorate, Water NSW and IPART.
5 We understand, too, while we're doing this, that
6 stakeholders will want to ensure that there's no regulatory
7 gap in Sydney Water's conservation obligations.

8
9 Until we develop the ELWC, we are proposing
10 transitional requirements to continue to maintain the water
11 use target of 329 litres per person per day, to manage leaks
12 according to the economic level of leakage that's currently
13 in place and to promote, foster and encourage water
14 recycling where financially viable.

15
16 As I mentioned earlier, we have a corporate and social
17 responsibility to encourage the efficient use of water and
18 it makes good business sense for us to do this. We would
19 like to point out a number of the current water efficiency
20 programs we already have underway, including
21 plumbing assist, which assists customers in financial
22 hardship, water fix, business customer services who do
23 benchmarking and monitoring and water audits for our
24 business customers, the council partnership program,
25 information on our website about best practice guidelines,
26 do-it-yourself skills and tips to find water leaks and we
27 have a substantial community education program.

28
29 I just want to turn now to water conservation,
30 planning and reporting. We support a rolling five-year
31 strategy for water conservation, as IPART proposes. The
32 previous requirement for a fixed five-year strategy led to
33 a document that became quickly outdated due to the dynamic
34 nature of water scarcity, technology and funding. We are
35 happy to continue reporting publicly on water leakage,
36 water use and recycling and this will allow IPART to track
37 trends in these areas and assess the impact of changes in
38 the licence requirements.

39
40 We understand that IPART has proposed the new
41 reporting requirements to address concerns raised in
42 submissions about transparency and accountability regarding
43 Sydney Water's role in water conservation. We know our
44 customers are interested in water conservation and expect
45 us to maintain a role in this area.

46
47 THE CHAIRMAN: Thank you very much, Sandra. Andrea?

.30/03/2015

13

Transcript produced by Merrill Corporation

1
2 MS TURNER: Thank you very much for allowing me to sit at
3 the table today. I thought I was going to have a few other
4 people here, but never mind.
5
6 Just in terms of the past, I think it is incredible what the
7 government has managed to achieve for Sydney Water
8 in the past in terms of demand management and making that
9 front and centre in terms of its water portfolio in the
10 past. From our perspective, in terms of the future, how we
11 have engaged with Sydney Water on this in the past, we love
12 the way that it has gone so far.
13
14 With respect to the different elements that we're
15 talking about today in terms of roles and responsibilities,
16 the economic level of water conservation, which has certain
17 parts, which is the Sydney Water methodology, the allowance
18 of an amendment within that and the reporting, basically,
19 on the surface, it seems very reasonable and very clean and
20 clear cut and not too prescriptive, which it has
21 potentially been in the past, but that would allow a
22 paradigm shift in terms of what we were doing in the past.
23 It now allows it to be adaptive, which is what we need as
24 well.
25
26 We do have concerns over the way that it may swing to
27 too far to being too vague in some ways and not tight
28 enough in terms of the regulatory requirements.
29
30 In terms of what it is reliant on now is the
31 Metropolitan Water Directorate relationship, which may
32 change over time, the Metropolitan Water Plan, which is
33 currently being reviewed and could be implemented around
34 the middle of the year, and the Sydney Water methodology
35 which was meant to be at the end of this year and may take
36 longer in terms of taking time to develop.
37
38 The regulations, as they stand now, in terms of the
39 licence are so dependent on so many things that are in flux
40 in some ways, so that's a concern.
41
42 Even with the strong Metropolitan Water Plan that's in
43 place now, including the 25 per cent efficiency requirement
44 in terms of the portfolio, how it places itself in the
45 portfolio, we are seeing a reduction in demand management
46 expenditure already and so again, that highlights some
47 concern that there needs to be something a little bit

1 tighter there.
2
3 There is an argument in terms of demand management
4 that it is already widespread, that you don't need to do
5 the widespread presence any more, that it's well embedded,
6 etcetera, but there has been huge investment in the demand
7 management so far and what we've got to be careful of is
8 that we maintain those savings.
9
10 Demand management does require maintenance in terms of
11 residential, non-residential and the leakage aspects and it
12 needs to stay obvious in terms of the customers because
13 over the next 20 years we are going to have a million new
14 and different people coming into the country, potentially,
15 and growth, and so there will be a slight culture change,
16 there will be urban density, so the customers in Sydney
17 will change and we need to be cognisant of how that changes
18 and how the targets or the licence need to adapt to that
19 over that 20-year period.
20
21 From our perspective, I'd say that we might need to
22 put in a cap in terms of the demand for Sydney so that we
23 don't go above a certain limit. We have had the 329
24 target, but if you have a cap so that we don't go above
25 that, so that maintenance of the 25 per cent plus the
26 leakage plus the recycling stays in place, then you're
27 effectively staying with your investment, so you don't lose
28 all the money and all the knowledge that you've put towards
29 that and you maintain that investment and so it allows a
30 trigger to say, "Wait a minute, we've got a problem here."
31 That is what we would advocate, that some kind of cap be
32 placed into the licence, especially during the transition
33 period.
34
35 In terms of the Sydney Water methodology, again,
36 because it has to be developed by the end of the year and
37 potentially later, as the request is, it's a little bit
38 ambiguous what it is in some ways and it is laced into
39 certain documents that you can deal with this, it is not
40 actually within the licence, which is a little bit of a
41 concern as well.
42
43 We would advocate that you go back to the idea of
44 where it used to be, that integrated resource planning was
45 central to the way that it has been in the past, the
46 licence, and use something like an IRP, an integrated
47 resource plan, which is a sound methodology that is very

1 well established, it has a huge amount of literature behind
2 it, decades of use in water and energy in places like the
3 States and Australia, and that you use, as Sydney Water has
4 implied that they will do anyway, that whole-of-society
5 perspective so that you have all that; you're looking at
6 the externalities, you're looking at the broader costs and
7 benefits for the customers in general and you actually dial
8 that down; that you allow the methodology to dial down to
9 the local level, as opposed to these broad demand
10 management programs which, with a lot of them, you can't
11 really get much more out of them, and you look at the
12 assets in those different areas and you say, in terms of
13 water and waste water, what are the assets that you have
14 there? What can you do in terms of capital and operating
15 and how can you dial down to local integrated resource
16 planning to say, "How can we get the best for our customers
17 in terms of leakage, in terms of demand management, in
18 terms of efficiency, residential and non-residential, and
19 recycling as well?" How can you use that methodology to
20 help you get down to that?
21

22 Again, because it is a little bit vague in terms of
23 there is a methodology, it needs to be a little bit more
24 explained within the licence in some ways so that there's
25 some kind of substance to hang on to.
26

27 It is very much so about the whole-of-society
28 perspective, rather than just the financial utility
29 perspective, which, again, Sydney Water has implied that
30 they will do anyway, that they want that holistic and
31 whole-of-society cost of benefits.
32

33 Just in terms of this local integrated resource
34 planning, it is like a hot spot within Sydney where you
35 say, "Where are the hot spots in terms of capital operating
36 costs that we have now? How can we target those areas and
37 get the most benefit in terms of dialling down and in terms
38 of demand management to save the water there for the
39 benefit of the customers in Sydney overall?"
40

41 The other thing is that because Sydney Water has all
42 the analysis, it has the expertise to be able to do this
43 kind of analysis on behalf of Sydney, it needs to be able
44 to lay out all the costs and benefits on the table and be
45 able to go to IPART and say, "Can we pass these costs and
46 benefits through?" It is not that Sydney Water is
47 financially in trouble; it is actually, as a government,

1 how can we, across the whole of Sydney, work through those
2 costs and benefits so that Sydney Water and the customers
3 generally benefit?
4

5 In terms of the reporting, Sydney Water, again, have
6 done so well in terms of their reporting requirements over
7 the years. The past and future rolling aspect looks as if
8 it could be a very good idea. You can see it can adapt as
9 you go and in terms of the reporting style, the reporting
10 style is envied by many people internationally, so if it is
11 a similar style to what it has been in the past, it's very
12 transparent, very open and very informative and if it can
13 stay in that kind of style then I think that that's a
14 benefit.
15

16 THE CHAIRMAN: Thank you very much. You will get
17 another chance, if you would like to. Do you want to make
18 any immediate responses?
19

20 MR YOUNG: I appreciate a lot of the comments that Andrea
21 is making. We have built a partnership in the past and the
22 future is about driving good outcomes in this area. Again,
23 it goes back to that question, that we do want to drive the
24 best value that we can for customers and the environment.
25

26 In one sense what IPART is doing is challenging
27 Sydney Water and its stakeholders to drive good outcomes
28 through a new methodology which rather sets a target in
29 different areas. Sydney Water is trying to do their thing.
30 It says, "Okay, all you've got to do is meet the target
31 independent of cost." There is a much higher hurdle you
32 have to set which is to determine the economic level and
33 that means that we need to build on what we've done in the
34 past and go out to the community and take into account, as
35 you say, not just the financial but the economic level.
36

37 I agree 100 per cent with what you're saying, that we
38 need to get that model right and it needs to be agile and
39 adaptive as well. Although for some of the things that
40 we've done, we were leaders in rebates for washing
41 machines, that ran its race, but who knows what technology
42 is going to come around the corner that will be there and
43 maybe will be in that game because we see bang for buck in
44 that area and that we can pull the levers that determine
45 the best value.
46

47 We agree with the dial down. Rather than just the

1 broad concept, it will be a different set of equations that
2 you can draw in certain areas. I am speculating, but maybe
3 recycling in one area will get up because it will defer the
4 capital that we need for major water supply augmentation in
5 a unique circumstance in that area and we want this
6 methodology to be the principle, that we make good
7 decisions for the community that drive value.

8
9 There are different points of view on this and I think
10 that is why we are asking for a bit more time because we
11 don't want to take that for granted. We actually want
12 people to be able to have a say. We want to take into
13 account the economic values and we want the community to
14 feel that it is not Sydney Water saying, "Tell us what
15 you're thinking." We will make a call that there is a
16 collaboration there, there's a partnership, we want good
17 outcomes and I know we share that as a future for the
18 business.

19
20 MS GAMBLE: I like Andrea's idea of dialling down to a
21 level area too. We will take this on board and think about
22 how we can do that. I know that water conservation isn't
23 necessarily one size fits all. We will take that into
24 account. Thank you.

25
26 MR YOUNG: The other comment is the cap question, Chair.
27 We appreciate that there's a gap between us in doing this
28 work with the community. What we propose is that we
29 continue the previous target.

30
31 THE CHAIRMAN: In the interim.

32
33 MR YOUNG: In the interim. We hope that we would discuss
34 that with you, but we'd like to move to a better future as
35 soon as we can.

36
37 THE CHAIRMAN: Thank you, Kevin. Are there any
38 comments or questions from the floor, from the audience?

39
40 MR EDGERTON: Could I just ask a question of Andrea?
41 Matthew Edgerton, IPART Secretariat. You mentioned a cap
42 on demand. How do you see that looking relative to the
43 current target that's in the operating licence at the
44 moment?

45
46 MS TURNER: It would act in a similar way, but the cap
47 should really be reviewed in terms of what it is now,

1 because that was set so many years ago, but now we need to
2 review what that cap should be. It is going to be in the
3 interplay between the BASIX, WELS, all these different
4 interplays and the recycling that is being set up in terms
5 of individuals under the WICA Act, et cetera. There are so
6 many different places where it is changing that it needs a
7 bit of a check in terms of what that cap should look like
8 now and what is a realistic one.

9
10 It should be 329, definitely, and it should
11 potentially be slightly lower than that, if you want to
12 look at it, but there should be an analysis around that as
13 to what makes sense and what makes sense over the next five
14 years or so. Because it is part of the Metropolitan Water
15 Plan, the demand has to be kept within a certain amount.
16 It is part of that portfolio service, for demand management
17 to provide the savings that are required from that
18 Metropolitan Water Plan portfolio.

19
20 MR EDGERTON: You see it as the same metric, just
21 reviewing the number.

22
23 MS TURNER: Potentially. I haven't thought in great depth
24 about that, but I think that that is something that is
25 completely missing in the licence as it stands and it needs
26 a bit more thought. That is something that we need to be
27 engaged in, especially during this interim period.

28
29 MR EDGERTON: Thank you.

30
31 THE CHAIRMAN: Thank you.

32
33 MS NORRIE: Emma Norrie from the Sydney Coastal Councils
34 Group. I was just wondering if there are any examples in
35 other jurisdictions, or cities like Sydney, where there is
36 a cap on demand? How it is enforced in terms of, from a
37 regulatory perspective, if it was exceeded, as opposed to a
38 target?

39
40 MS TURNER: I can't think offhand at the moment.

41
42 MS MURAS: Heidi Muras from Sydney Water. I am not sure
43 if there are other regulatory water use targets, but in
44 other cities that have experienced droughts, such as
45 Melbourne and in south-east Queensland, they have had
46 targets, target 155, campaigns where they've encouraged the
47 community to reduce water use as dam levels became critical

1 and they were very effective campaigns, but usually in the
2 context of deep and deepening drought.
3
4 MS TURNER: And they would have only been for the
5 residential sector at that point, anyway, like, 140 or 145
6 for those particular customers.
7
8 MR YOUNG: I think that's right, yes.
9
10 MS TURNER: For particular companies, yes.
11
12 MS MURAS: It does usually focus on residential use,
13 whereas the 329 water use target in Sydney Water's
14 operating licence is the total water used by the community,
15 so it includes residents, businesses, agriculture,
16 everybody, which is why it seems like a higher number than,
17 say, the 155 campaign.
18
19 MR YOUNG: I do want to make the point that when we talk
20 about the amount of water for Sydney customers,
21 residential, commercial, industrial, we often say that we
22 use the same water now that we did in the '70s but that
23 we've got a million more people. That is testament to the
24 strength of the way that the community, commercial and
25 industrial, has changed in the efficient use of water to be
26 able to fit many more people in without using any more
27 water.
28
29 THE CHAIRMAN: Gary?
30
31 MR DRYSDALE: I just have a general question for
32 Sydney Water. Some of those submissions suggested that
33 the methodology should be approved by IPART. Do you have
34 any comment on that?
35
36 MR YOUNG: That is a really good question. I think it
37 goes to the point of is IPART reviewing the methodology and
38 commenting on it, but if you approve it, do you approve it
39 once every five years? Does that mean that we lack that
40 flexibility that we're talking about, to be agile in
41 different areas? My preference would be that you tell us
42 if we're not heading in the right direction, that we look
43 at what the community is saying and you give us a chance to
44 be agile, so that if things change dramatically we don't
45 need to say, "We can't make this call and we need to go
46 back to IPART about it."
47

1 MS GAMBLE: I would concur with that. Given that it is a
2 relatively new area of economics, it is something that we
3 would be leading the way on and we also need to integrate
4 it into our business decision-making processes as well. It
5 is going to be a bit of a learning process for a while and
6 it may well be that we need flexibility to be able to
7 adjust and adapt it over time.
8
9 The other issue is the transparency of how we're going
10 about doing that. We would be very cognisant that IPART
11 would expect a high level of transparency over the manner
12 in which we do that, otherwise, there may well be a more
13 intrusive level of regulation at the next licence
14 determination.
15
16 THE CHAIRMAN: Thank you very much. One last call?
17 Any other questions or comments on this section?
18
19 MS MURAS: Just to clarify, one of the reasons why
20 Sydney Water is seeking the extended period of time is to
21 ensure that we have enough time for detailed stakeholder
22 negotiations and to work out how this requirement will fit
23 with processes such as the Metropolitan Water Plan and
24 BASIX and all those other things that you have talked
25 about.
26
27 I know that it seems like a long period of time and
28 I wanted to acknowledge that, but to allow us to think
29 about how we deal it internally and also to consult with
30 all the necessary stakeholders who are, of course, working
31 on other things as well, that does take a lot of time, from
32 our experience, in working with everybody who is involved
33 in metropolitan water planning. It does take months to do
34 that, so that's the reason why we're seeking the extra
35 time.
36
37 DR POWER: I just wanted to ask whether or not another way
38 of looking at that approval process of IPART, as far as the
39 methodology goes, is to look at one level higher and say,
40 "Look at an approval of the actual process which you're
41 going to go through to determine the methodology." You
42 know, a framework of, "We're going to consult with
43 the following people. We're going to do external peer
44 review of this", on that level.
45
46 MR YOUNG: Yes, I think we'd like to put something back on
47 in that process, yes, that would be worthwhile.

1
2 THE CHAIRMAN: Thank you, Kaye. Let's move on then to
3 the next item on the agenda, "Asset Management", and I call on
4 Jessica.
5
6 AGENDA ITEM 4 - ASSET MANAGEMENT - Asset Management
7 Obligations and Response times
8
9 MS HANNA: Chapter 4 of the draft operating licence
10 includes asset management obligations, infrastructure
11 performance obligations and reporting obligations. Today
12 the discussion will be broken up for assets in two parts:
13 firstly, the asset management system and system performance
14 standards, and secondly, we will be discussing the
15 priorities for each program.
16
17 We have proposed that the draft asset management
18 obligations change from a prescriptive framework in the
19 current licence to an obligation to develop, certify and
20 implement an asset management system that is consistent
21 with the international standard for asset management
22 ISO55001.
23
24 System performance standards have been reworded for
25 clarity but retained with the exceptions of response time
26 targets. With respect to response time targets, rather
27 than targets that limit operational judgment by prescribing
28 response times depending on the severity of the break, we
29 have changed the targets to indicators which require annual
30 reporting as follows: Sydney Water will still be required
31 to report on the percentage of jobs responded to within the
32 given time frames, but there will be no specific compliance
33 target associated with it.
34
35 In addition to the performance indicators, we have
36 added the requirement for public reporting on the factors
37 affecting Sydney Water's response times in the previous
38 financial year to enhance the transparency around
39 performance in this area.
40
41 For the discussion today, we are seeking stakeholder
42 views on the asset management system and on changing
43 response time targets to indicators. We want to know, do
44 the current standards adequately account for impact on
45 customers and does it meet customer expectations including
46 non-residential customers? Do the current standards
47 provide the right incentives to drive Sydney Water's

1 performance?
2
3 Thank you. I will now hand back to Peter.
4
5 THE CHAIRMAN: Thank you, Jessica. Sydney Water?
6
7 MR YOUNG: Thank you, Mr Chairman. Again, we note that
8 IPART wants us to move towards a system approach for these
9 areas and we are fully supportive of that. We want to
10 effect a transition to an asset management system to an
11 asset management framework, so, in that sense, it is
12 supported.
13
14 We also think from our interaction with major
15 utilities around the world that that is the direction that
16 is internationally recognised as leading practice in asset
17 management, so we concur with that approach.
18
19 We want to provide a system that gives assurance to
20 customers, regulators and stakeholders, facilitates
21 improvements and efficiencies, potentially allowing for a
22 less resource-intensive audit approach, if we get that
23 system right.
24
25 Sandra will help me with this, but I will tackle the
26 response times for leaks and breaks that you mentioned.
27 One item of particular interest for us is that we support
28 going back to a reporting requirement rather than a licence
29 standard.
30
31 Particularly with response priority 5, which says that
32 if you have a leak that is just marginally above, a leak
33 coming from a garden tap, you need to respond in six hours,
34 we have found that has created a mandate for us to repair
35 such a leak in the middle of the night. When customers
36 come out and say, "Why have you got an excavator in my
37 front yard", of course we don't say, "It is part of our
38 licence standard that we need to be here and we apologise
39 for upsetting your sleep." They virtually come out as a
40 common sense thing and say, "Look, it's 3 or 4 o'clock in
41 the morning. Would it be okay if we start at 7", or
42 something like that. On occasions that creates tensions.
43
44 What IPART is proposing in this area is consistent
45 with what we have seen as best practice in other utilities
46 around Australia and around the world. In essence, we
47 think it goes back to the heart of providing value for

1 customers in those trade-off decisions.
2
3 THE CHAIRMAN: Sandra?
4
5 MS GAMBLE: I want to talk about the performance
6 standards, the system performance standards. We strongly
7 support the proposed retention of the existing system
8 performance standards and limits in relation to water
9 pressure failures, unplanned water interruptions and waste
10 water overflows.
11
12 Customer satisfaction in our current performance on
13 these is already extremely high. Keeping current limits
14 would allow us to explore further opportunities to provide
15 better value for customers through a different balance of
16 service performance costs.
17
18 In relation to the introduction of additional
19 standards for business customers, the operating licence
20 should contain minimum standards for our general customer
21 base. We understand that interruptions can have a higher
22 impact on businesses such as manufacturing businesses.
23
24 Rather than adding new standards in the operating
25 licence, our present and our current practice is to
26 negotiate individual service agreements with large
27 commercial customers, in particular customers who may
28 require a higher level of service for water quality and
29 continuity. While we can never guarantee continuous
30 supply, we do work with large non-residential customers and
31 offer to develop contingency plans.
32
33 Major manufacturers usually do have contingency
34 arrangements in place for key interests and can claim for
35 loss of business production through insurance if they
36 experience an unplanned water interruption.
37
38 For the very large or water-critical customers, we do
39 try to implement alternative supply arrangements as part of
40 planned interruptions. Under our customer contract, we
41 provide seven days notice for planned interruptions for
42 non-residential customers compared to two days notice for
43 residential customers.
44
45 THE CHAIRMAN: Thanks, Sandra. I was just wondering
46 about small non-residential customers. You mentioned large
47 non-residential customers and manufacturers. What about

1 small non-residential customers who are dependent on water
2 for their business?
3
4 MS GAMBLE: We still do provide the seven days
5 interruption notice for them. I might pass that over to
6 Heidi on the detail.
7
8 MS MURAS: They could obviously still negotiate an
9 individual agreement with us except that they don't usually
10 need to. Our experience is that the people who need that
11 high level of service beyond what we provide in accordance
12 with our operating licence are usually larger commercial
13 customers. It is usually due to water quality, actually.
14
15 MR YOUNG: I have an operational perspective on this too,
16 which is that you can talk to those smaller customers who
17 rely on water. I am probably thinking of dentists
18 hairdressers, schools, nursing homes. When the water main
19 goes out, what Sydney Water has in response to that for the
20 general community is the supply of water on those
21 occasions. The bottled water that we use is the most
22 convenient.
23
24 We also have tankers available. What we do is we have
25 tankers that would go to the site. We take off the meter,
26 connect up and it has its own pump. For those customers
27 that are critical, we can do the best we can to make sure
28 they get a continuity of supply - that is for those
29 critical customers. That is the other way of doing it
30 rather than saying to the customer, "You need to invest in
31 your own large water tank on site or your own plumbing
32 system." If it is small enough, Sydney Water can respond
33 with our own mobile tankers with their own plumbing system
34 to try and solve that problem.
35
36 THE CHAIRMAN: It just occurred to me, though, when Sandra
37 was speaking, that it is relatively easy, I imagine, to do
38 individual arrangements with large customers because there
39 are fewer of them.
40
41 MR YOUNG: Yes.
42
43 THE CHAIRMAN: Whereas for small non-residential
44 customers there are many more of them and it is probably
45 more difficult to do individual arrangements, so I just wanted
46 to tease that out.
47

1 MR YOUNG: That is where the mobile tanker comes in.
2
3 MS GAMBLE: Although we would do it if we had to.
4
5 MR CRAWLEY: My name is Craig Crawley, from Sydney Water.
6 We do have standardised response capability. As Kevin was
7 mentioning, we have things like tankers. We go out and
8 negotiate how we can help the customer using the equipment
9 we have. We also have people who attend these events and
10 actually keep the customer abreast of our progress and how
11 we are working to resolve the issue.
12
13 THE CHAIRMAN: Sandra mentioned that not many - or
14 maybe none - small residential customers have approached
15 you. Do they know that they can approach you?
16
17 MR YOUNG: That is a good question.
18
19 MR CRAWLEY: That is a good question, I must admit. What
20 we have is within the customer contract, and obviously the
21 larger ones definitely do know, and we make that offer very
22 openly.
23
24 MR YOUNG: I would say no, but I think if you look at the
25 likelihood of suffering an outage - I invite people in this
26 room to think of when was the last time that the water went
27 out - for a small commercial enterprise you would
28 think, "Would it be worthwhile?" People generally think
29 that it is quite rare for this to occur. The cost of the
30 mitigation is probably more than what people see as the
31 risks cost of it happening. But for the big industrial
32 enterprise, which can impact on production, then that is
33 another case. It has to be weighed up.
34
35 THE CHAIRMAN: Thank you. Are there any questions or
36 comments from the floor?
37
38 MS FLEMING: Good morning. My name is Fiona Fleming.
39 I am from the Australian Food and Grocery Council.
40 I represent a whole range of food, drink and grocery
41 manufacturers who are Sydney Water customers.
42
43 In our previous submission to this review, we indicated
44 that the operating licence should set independent targets
45 and reporting requirements for commercial premises, our
46 member companies - we represent large member companies
47 as well as smaller manufacturers - so that a true

1 assessment of impact can be assessed. So merely just
2 treating a large commercial customer and a small commercial
3 customer as one customer is not really adequate.
4
5 In our last submission we gave some examples of two of
6 our larger companies who had had unplanned outages which
7 had a significant impact on their business. We are talking
8 about food manufacturers who cannot continue to produce
9 without adequate water. These companies have back-up, but
10 in the case of having outages of more than 24 hours, they
11 cannot store that much water.
12
13 You also indicated that you had water tankers
14 available. Again in the instances that we reported on in
15 our submission, those tankers were inadequate to supply the
16 water that was required.
17
18 I would also query whether the larger customers are
19 aware that there is the opportunity to negotiate
20 arrangements with their individual water contracts. I know
21 from talking to our member companies that they are not
22 aware of that, some of them are not aware. I would
23 question whether that is widespread. I think it is an
24 excellent opportunity, but I don't think that it is well
25 communicated.
26
27 We would like to see more focus on impact assessment
28 for commercial customers. In one of the cases that we
29 reported in our last submission, the cost to the company
30 was well over \$100,000 for a 24-hour stoppage as well as
31 all the associated issues that that relates to in terms of
32 an operation that runs 24/7. We would, therefore, like to
33 see more focus on the impact assessment when measuring
34 performance standards.
35
36 The other issue we have is while it is fair, you say,
37 that you give seven days notice, the instances that we have
38 had reported to us from our member companies relate to
39 unplanned outages where the company has found out about it
40 because somebody from Sydney Water has been working
41 adjacent to their site. They have had no notification
42 whatsoever, and these are two fairly large companies who
43 rely on a constant supply of water.
44
45 I am sure, having said that, that there are a lot of
46 instances where the water supply is good and we never have
47 any problems, but we do not believe that it is acceptable

1 that we have unplanned outages for large manufacturers when
2 their business relies on the continuity of the supply of
3 water.

4
5 THE CHAIRMAN: Thanks Fiona. I will give Sydney Water a
6 chance to respond to those comments, thank you. Kevin?

7
8 MR YOUNG: The points made are well made. In those cases
9 in particular, there were some lessons to be learned for
10 Sydney Water. There is nothing better than customer
11 feedback. In one of those cases - I know particularly the
12 company was named in the submission - I met with the CEO
13 one-on-one to say, "Can we talk about this and what can we
14 learn? What can we do for the future?" That instigated an
15 improvement in our processes.

16
17 When our crews arrive on site, of course they want to
18 solve the problem as soon as possible, but we need to
19 understand those critical customers. We are linking those
20 systems together so we can better identify those critical
21 customers that are so dependent on water so that we can
22 give them quick notification. We will put in place major
23 customer representatives as the go-to person that they can
24 connect to.

25
26 Having said that, on the question about a standard for
27 major customers using water, those customers are part of a
28 network of pipes. That pipe system is designed to pull the
29 right levers in operation and maintenance and capital. If
30 you get one major customer in that network that has a high
31 standard, that would apply to everyone, and the costs of
32 that can be astronomical. Then you look at what are the
33 solutions to the problem with that? Is it that you can't
34 afford any sort of break? Do you need to replace, say,
35 pipes of a certain age? The costs of that compared to the
36 benefits to the one do not trade off.

37
38 In that particular case, when we sat down and got our
39 team together and spoke with that company, we said, "It's
40 not a solution to replace all the pipes in that area. It's
41 probably not a solution to have a big enough tank on site.
42 We cannot provide the tanker." In that particular case, we
43 found out that a small distance away was a second
44 connection to the system that could come across the other
45 side of the factory land. That was on a specific location
46 basis where we could say, "This is the right solution, so
47 that if this main goes out, you can quickly swap across to

1 a system that is still working."

2
3 I want to support what has been said. Whenever we
4 have issues like that, there are areas that we can do
5 better and things do not always go right, but we
6 communicated with those companies, and we understand we
7 need to do better and that is what we are committed to do.
8 But we do want this value proposition, I think, making sure
9 that any decision that we make relates to the broader value
10 to the entire community rather than an individual company.

11
12 THE CHAIRMAN: Thank you. Fiona, would you like to say
13 something?

14
15 MS FLEMING: Thank you for your response. I appreciate
16 that. I would like to stress the importance of the impact.
17 While I appreciate that we cannot expect big food companies
18 or manufacturers to have special treatment, so to speak.
19 I think we have to understand the impact to the community
20 versus the impact to the business --

21
22 MR YOUNG: Yes.

23
24 MS FLEMING: -- but also the business's impact on the
25 community. In both of the cases that I alluded to, those
26 companies have head offices based offshore and those
27 companies are looking at whether they will make investment
28 decisions to invest here or invest overseas. If they
29 cannot be guaranteed continuity of water supply, then I can
30 tell you they will be seriously considering taking their
31 business offshore. That is not a threat. That is a fact
32 of life and that will have a broader impact on the
33 community in terms of investment and in terms of a whole
34 range of things.

35
36 There is no threat there; there is just a fact of
37 life. If a company with a head office in the US or the UK
38 looks at a business here and says, "We can't even have
39 guaranteed continuity of water supply" - for whatever
40 reason - that would be a factor in deciding whether they
41 will stay here or not. We are facing a lot of companies
42 moving their manufacturing offshore.

43
44 THE CHAIRMAN: Thanks, Fiona. Yes, Kevin?

45
46 MR YOUNG: I think that is a point well made. The
47 interesting insight I got from this exercise and meeting

1 with the CEO is the realisation that the call there is to
2 have those conversations ahead of the inevitable break that
3 will occur sometime in the next 10 years. I am referring
4 to the proactive nature of meeting with companies and
5 saying, "We understand your business and you are critical
6 for water and there are losses if the water ever goes out
7 any time in the next 10 years, therefore can we talk about
8 what the contingency plans are?" Who knows, we could have
9 had that discussion and said, "It turns out there is
10 another option here which is very cost effective."

11
12 I think the proactive nature is the future in this area with
13 major customers rather than the reactive nature. We need
14 to go out and communicate with those major customers
15 so that we both understand when water supply goes
16 off in the future - or will do at some point; it is
17 inevitable - what the consequences are and what the options
18 are. I think it is the proactive nature that is the key to
19 this area.

20
21 THE CHAIRMAN: Thank you, Kevin, and thank you, Fiona.

22
23 Is there anybody else from the floor who would like to
24 make a comment or ask a question on asset management
25 obligations and response times?

26
27 MS HANNA: I might add something, Peter. If I could ask
28 the Food and Grocery Council how they envisage the
29 measurement of impact? Would it be some sort of
30 performance indicator of hours lost or would it be revenue
31 lost? What are your proposals?

32
33 MS FLEMING: It could be either of those. If you look at
34 the current measures, they just lump commercial customers
35 in with residential. We reported two significant events
36 which had a significant financial impact on the businesses
37 but it does not show up in the reporting as anything.

38
39 I am happy to hear that you are talking about engaging
40 with your large customers, but we do not see any evidence
41 of that. I guess the position of our organisation is that
42 we do not support regulatory solutions; we like the
43 non-regulatory solutions.

44
45 We would like to see some accountability built into
46 the licensing requirements that requires you to engage with
47 these larger customers and identify who they are. We have

1 asked the question of Sydney Water a few times and said,
2 "Do you know who your large customers are?" You know the
3 really big ones, but there are a lot of large food
4 manufacturers that you supply that are just not visible to
5 you.

6
7 Continuity of supply is critical for us. An hour's
8 downtime is just not acceptable. It could be continuity of
9 supply; it could be impact from the dollar value. We would
10 be happy to talk to you about that further, but I think
11 just being able to get visibility of the non-residential
12 commercial versus residential is important.

13
14 THE CHAIRMAN: Thanks, Fiona.

15
16 Are there any other questions or comments on this
17 section?

18
19 MS MURAS: If there is time, I have one point to make.

20
21 THE CHAIRMAN: Yes, Heidi, and then Matt.

22
23 MS MURAS: Picking up your point about regulatory versus
24 non-regulatory solutions, one of the things that Sydney
25 Water is looking at long term is to have a separate
26 contract for non-residential customers as opposed to
27 residential customers. As you know, our customer contract
28 is attached to the licence. At the moment, it is a
29 catch-all for all customers, but because of the requirement
30 in our Act we cannot go ahead and do that at any point in
31 time. That is something we are really keen to look at over
32 the next five years and we will be talking to our Business
33 Customer Forum on that. I think the Australian Food and
34 Grocery Counsel is represented on that forum.

35
36 MS FLEMING: Yes.

37
38 MS MURAS: That is something we really want to develop in
39 consultation with the Business Customer Forum and other
40 non-residential customers who might not be represented on
41 that.

42
43 MS FLEMING: I certainly strongly recommend that you go
44 down that path. I think it will give you visibility to
45 those customers and you can actually talk to them and find
46 out what their requirements are.

47

1 MS MURAS: Yes, and I take your point about some customers
2 not being aware of the individual contract route. That is
3 something that we can take on board and look at being more
4 proactive in our communications with our customers.

5
6 MR EDGERTON: Could I ask Sydney Water a question back
on
7 response to times to main breaks. We have proposed to move
8 from standards to indicators. That is in large part some
9 of the concerns raised in your submission regarding
10 standards. Just to test that a little bit, at the moment
11 there is some flexibility in relation to the standards;
12 response times relate to 90 per cent of bursts. Given
13 that flexibility, could you just tell us a little bit more
14 about what the specific concerns are with the standards and
15 why there is a case to move away from them?

16
17 MR YOUNG: This grey hair that I have means that I have
18 been involved in these issues for a long time and I think
19 I was there when the first operating licence came in and
20 the discussion was: what should go into an operating
21 licence? I remember the debate in those days and they said
22 operating licences should cover those minimum standards for
23 customers, the things that are critically important that
24 customers care about, and that penalties there should be
25 severe for non-achievement of those licence standards,
26 which is why you are seeing in the Act that IPART has
27 strong powers against those small numbers of things that
28 are important to customers. The water quality that we
29 supply, the overall standard, the sewer overflows, the
30 pressure, these are the things that customers really care
31 about.

32
33 Matt, in answer to your question, over the years, we
34 have seen the licence become very prescriptive in a lot of
35 different areas, but we still have the same approach in
36 that the penalties for non-compliance are still strong.
37 I think there is an obligation on us to make sure that the
38 licence does cover those high-level issues that are
39 critical for customers that we will absolutely focus
40 100 per cent on.

41
42 For the smaller ones, that is an area where, I think
43 in the past - I don't know the background and it is unusual
44 that that came about - when you go down to those lower
45 priority areas, with response times, that is not an asset
46 management question. I do not see this as the high
47 priority for customers. If you mandate it, and say,

1 "Because of the impact, we believe that this is a high
2 priority for IPART and customers", then we will do
3 everything we can.

4
5 We have just found, on a number of occasions, it is
6 causing problems with the customers and we do not think the
7 prescriptive nature of those responses is leading to good
8 customer outcomes. They are actually saying to us, "Why is
9 it you are doing this?" I think that is part of the
10 problem for me. We should be saying the operational
11 licence is driving value for customers, but when customers
12 say, "Why are you doing this", then there is something out
13 of whack here.

14
15 MR CRAWLEY: I was also going to add that what you have
is
16 response times underpinning continuity. Obviously the
17 speed at which you respond then also, I guess, allows you
18 to achieve and repair main breaks within five hours or
19 pushing it out over five hours, and then it also underpins
20 water leakage. To then separately specify it again, you
21 are pinning us on another thing which is actually, I guess,
22 maybe restricting us from achieving those other two service
23 levels efficiently.

24
25 What we are saying is it is fair enough to have it as
26 a report so that you guys can tell that we can actually be
27 accountable and keep tracking it and keep checking on our
28 performance regarding response time, but really what you
29 are seeking is those service level outcomes around
30 continuity and leakage, which are basically supported by
31 the response times.

32
33 The other part about the response time was that
34 difficulty we mentioned earlier about the fact that the
35 customers no longer expect us to be out in the middle of
36 the night repairing what we have called priority 6 [sic],
37 which are minor leaks. That is where we have actually
38 specifically asked for that requirement to be reduced so
39 that we can actually have that opportunity to both deliver
40 the service more cost efficiently and in a manner that does
41 not actually disturb our customers.

42
43 THE CHAIRMAN: It is priority 5.

44
45 MR CRAWLEY: Did I say 6?

46
47 THE CHAIRMAN: Yes.

1
2 MR CRAWLEY: They are the ones we want to fix.
3
4 MS JONES: Craig, I wanted to clarify this: when you
5 talked about leakage, is it the case that sometimes the
6 leak would be so small that you think perhaps it would be
7 more economical to let it keep leaking, rather than having
8 to dig up or would you always fix it?
9
10 MR CRAWLEY: No. A priority 5 leak has to be fixed. It
11 is more --
12
13 MS JONES: What about priority 4? Is that five days and
14 less than a garden tap flow?
15
16 MR CRAWLEY: The point about leaks is they can develop.
17 We still want to repair these things in a timely manner and
18 we definitely do not want to let them go so that they then
19 develop into a larger leak or turn into a break.
20
21 MS JONES: Thank you.
22
23 THE CHAIRMAN: Would anybody else like to speak on
24 asset management obligations and response times? No?
25
26 We are about 45 minutes ahead on the agenda, which is
27 always good news. We know that the priority sewerage
28 program should be the next item. We know there are a
29 number of stakeholders who want to attend for that.
30 Because we have that billed at 12 noon, I don't think it
31 would be wise to start that 45 minutes earlier.
32
33 What I would ask, if that is okay - because I notice
34 that we have a number of people here from Fire and Rescue
35 NSW - is whether we would move to item 5 on the agenda,
36 which was scheduled for straight after lunch, which is
37 water pressure for fire fighting. Perhaps we can do that
38 now and if somebody comes after lunch and they really want
39 to make a comment, obviously they would be given that
40 opportunity. Why don't we move to item 5 on the agenda,
41 which is water pressure for fire fighting. That should
42 take us up towards 12 noon and then we will deal with
43 priority sewerage programs.
44
45 AGENDA ITEM 5 - WATER PRESSURE FOR FIRE FIGHTING
46
47 THE CHAIRMAN: We have Mark Porter coming to the table

1 and Greg Buckley as well. First we will have a
2 presentation from Jessica.
3
4 MS HANNA: Flows for fire fighting is a new issue that was
5 raised in the submission from Fire and Rescue NSW to the
6 issues paper.
7
8 There is at present no regulatory obligation for
9 Sydney Water to provide water for fire fighting at a given
10 pressure. Some obligations exist through the Building Code
11 of Australia for larger building owners to provide
12 sufficient quantities and pressure of water for fire
13 fighting, although these can be at a higher cost than
14 replacing the mains in some circumstances.
15
16 As a first step towards addressing this issue, we have
17 included an obligation for Sydney Water to use its best
18 endeavours to establish a memorandum of understanding for
19 Fire and Rescue NSW in the draft operating licence. The
20 aim of the MoU is to formalise the relationship and
21 prioritise this issue. The MoU will, at a minimum, need to
22 cover arrangements for: information sharing between the
23 two agencies; consultation during planning and design of
24 new assets; and a working party to further investigate the
25 issue.
26
27 The obligation is auditable and Sydney Water will need
28 to demonstrate to an auditor that it has both used its best
29 endeavours to establish an MoU and that the MoU adequately
30 covers the minimum requirements.
31
32 For the discussion today we are seeking stakeholder
33 views on if an MoU is the appropriate response, should
34 IPART simply include pressure and flow-rate standards or
35 other requirements in the operating licence? What would be
36 the costs and benefits of such an approach and what has
37 been the impact of leakage reduction programs and how do
38 we deal with these types of competing priorities?
39
40 We also seek comment on is this a larger issue that
41 requires a separate review? What other parties or
42 regulatory instruments would this issue involve? Who is
43 responsible, ultimately, for the availability of water for
44 fire fighting? I will hand back to Peter.
45
46 THE CHAIRMAN: Sydney Water, would you like to make
47 some comment?

1
2 MR YOUNG: Thank you, Chair. Did Fire and Rescue want to
3 respond? Will I go first? I'm happy to.

4
5 THE CHAIRMAN: I am happy either way.

6
7 MR BUCKLEY: What about if I just give an introduction and
8 elaborate on some of the points? Thanks everyone for the
9 opportunity to present today. One of the key things is,
10 picking up on the last point there, who is really
11 responsible for the availability of water for fire
12 fighting?

13
14 We have the longstanding custom and practice of
15 Sydney Water and other water authorities around the state
16 providing hydrants and access to water, but increasingly
17 over time, given some of the things that have been
18 discussed in terms of asset management issues and
19 environmental issues that will be discussed and the other
20 demands on Sydney Water, we are finding problems in this
21 space and we think that it is probably opportune and
22 appropriate that some more formal arrangements be
23 incorporated into the operating licence.

24
25 Just recently, of course, people watching the news
26 would have seen a major industrial fire that we had in
27 Smithfield over the weekend. Again, we had substantial
28 water supply problems, but that's not really the thing that
29 bothers us most because you would expect that that's going
30 to be a challenging circumstance. Sydney Water always make
31 themselves available to redirect flows within the network
32 and in times of major bushfire crises as well, they address
33 issues in terms of levels in reservoirs et cetera. Major
34 fires will always be challenging.

35
36 Really, what we're concerned about at the moment - and
37 it is not a self-serving argument for us because, being an
38 emergency service, we will deal with whatever situation we
39 find - is from the consumer's point of view, as a customer
40 of Sydney Water, getting water for their domestic needs,
41 and industrial customers as well, they're also relying
42 indirectly on water for their fire fighting needs. In the
43 odd event that they do have a fire - and fortunately, it is
44 a rare event for any given individual - they're relying on
45 us to draw on Sydney Water's infrastructure, in some sense,
46 to provide water to put the fire out.

47

.30/03/2015

36

Transcript produced by Merrill Corporation

1 As the Chair said in his opening remarks this morning,
2 we are really talking about an adequate level of service to
3 the customers and in a cost-effective manner.
4 Sydney Water, quite legitimately of course, seek to reduce
5 their leakage from their aging network and that has led to
6 a pressure reduction program across the metropolitan area
7 at varying locations and that indirectly led to property
8 owners that had installed systems under the building code,
9 as a requirement to meet their planning and building
10 requirements, to check on the water supply and found that
11 they were wanting and then needed to go through a
12 retrospective process of installing either tanks or pumps,
13 or both, to meet their fire-suppression requirements
14 on-site.

15
16 That is probably appropriate for industrial-commercial
17 premises, but we're increasingly seeing this occur in the
18 residential setting where blocks of units are common and as
19 we're certainly moving to a concentration and an increase
20 in medium density for housing, we think this problem will
21 grow over time. The nub of the problem here is that
22 there's a bit of a disconnect between the three tiers of
23 government that we see.

24
25 On the one hand, we have a national building code
26 administered by the Australian Building Codes Board for an
27 intergovernmental agreement. That building code calls up
28 national standards run by Australian Standards, published
29 by Australian Standards. Those standards relate to the
30 provision of hydrant requirements on particular premises,
31 and sprinkler requirements and the like, and then at a
32 state level those building code requirements are called up
33 through the Department of Planning. We have water
34 provided by Sydney Water and we also have local councils
35 being the principal body for enforcing the building code
36 requirements.

37
38 In a particular case study - and I might just make the
39 point here. I won't go into the details of the address -
40 this is where the issue really came to the fore for us when
41 we approached IPART on this matter. It is typical across
42 Sydney in different areas. A local council, on the basis
43 of a complaint or for some particular reason, will go to an
44 existing property - and it was a block of units in this
45 case, just a three-level walk-up 1960s sort of style block
46 of units - and find that they need to upgrade to the
47 current building code requirements for fire safety.

.30/03/2015

37

Transcript produced by Merrill Corporation

1 Councils being very risk averse and very focused on what
2 current building codes and standard apply, if a matter
3 comes before them they tend to take action and will require
4 some sort of upgrade.
5
6 The body corporate for the premises undertook the
7 necessary works and one of the works was making sure they
8 had appropriate hydrant water for fire fighting. When they
9 seek to get the pressure and flow statement from
10 Sydney Water about what is available in the street network,
11 they find it wanting. To meet the requirements imposed on
12 them by council, they then have to seek to install tanks
13 and pumps to provide appropriate water for us when we turn
14 up.
15
16 That is a very expensive undertaking. We had
17 approximately costed for that particular block of units and
18 the ballpark figure there is about \$150,000 for that
19 particular block of units to be shared I think across about
20 12 unit owners. Of course, that is quite an onerous
21 imposition on the owners.
22
23 We contacted Sydney Water, the local people
24 responsible, to find out what perhaps could be done in
25 relation to the mains and they correctly identified that it
26 wasn't a high priority on their upgrade strategy, which is
27 probably fair enough, but in exploring the likely cost of
28 such an upgrade, we were given a notional figure of maybe
29 \$600,000 or \$700,000. Of course, that is a lot more than
30 the \$150,000 that applies to the particular property owner,
31 but when you consider the street that is serviced by that
32 network, that particular main, there are about 20 to 30
33 blocks of units that would be in a similar position.
34
35 Council going around and erratically placing orders on
36 those properties could lead to a cost far in excess of what
37 would be better placed in upgrading the main in that
38 street. In upgrading that main the consumers in that
39 street would get a better service generally for their
40 domestic needs. It is a bit of a conundrum that we face
41 here because you've got competing priorities coming from
42 Sydney Water having to manage an aging network in a
43 cost-effective manner, we understand that; local councils
44 administering the building code and concern for fire safety
45 in their area, we understand that; the Department of
46 Planning enforcing the Building Code as law in this state
47 and then nationally the Building Code and

.30/03/2015

38

Transcript produced by Merrill Corporation

1 Australian Standards seeking best practice in relation to
2 fire safety.
3
4 Those three levels, those three competing forces which
5 really don't communicate effectively, come together to
6 create an environment where, in one case, one particular
7 owner in this premises was a pensioner and they're facing a
8 one-off levy from the body corporate in the thousands of
9 dollars that causes them a lot of unnecessary distress.
10 This is for something that may hopefully never be required.
11
12 What we are seeking - and we thank IPART for taking
13 our concerns seriously - is working with Sydney Water as a
14 partner to this problem. We do realise it is quite a
15 difficult problem but we need to engage with the
16 stakeholders across the board in this regulatory space.
17
18 The memorandum of understanding as incorporated into the
19 draft licence is certainly a good step forward, but we think
20 it needs it be a little bit stronger. It talks about best
21 endeavours to maintain and comply with the memorandum.
22 The provisions are reasonably vague as to consulting with
23 us in terms of what may be required in planning.
24
25 I think they can meet those requirements. I don't
26 doubt their earnest intent in trying to address those
27 concerns, but when you weigh those concerns up against
28 other pressures that are going to be on the agency and
29 running their business, we think some stronger requirements
30 could be put in there in terms of perhaps negotiating a
31 stronger protocol which would set the pressures and flow
32 requirements that are appropriate for fire fighting and
33 what could be done if they aren't met, so that they work
34 with us in engaging with other parties, such as the
35 Department of Planning and national bodies, in trying to
36 work towards an appropriate solution.
37
38 Some of those solutions may be in greenfield areas,
39 for instance, reducing the requirement to provide
40 fire-fighting water in new areas which might require
41 residential sprinkler systems to be installed across the
42 whole subdivision, so that the demand on water for fire
43 fighting is far less because fire suppression would take
44 place in the house at the time of fire. Those systems are
45 available but there is no requirement for them.
46
47 We need to work then with the Department of Planning

.30/03/2015

39

Transcript produced by Merrill Corporation

1 and local councils in what may happen on the subdivision
2 level. In terms of retrofits, such as the example I've
3 just been talking about, it may be a better approach
4 working with the local community in terms of having one-off
5 levies that are set across that local community rather than
6 amortised across the entire Sydney Water network, to
7 provide for an upgrade to the mains so that individual
8 unit owners don't have to face the more substantial costs
9 of providing tanks and pumps.

10
11 They are just some ideas that I think need to be
12 explored and we'd like to see that incorporated into a
13 stronger protocol for working with us on how we address
14 fire fighting water and fire suppression across the urban
15 environment.

16
17 THE CHAIRMAN: Thank you very much, Greg, that's a very
18 comprehensive presentation. Sydney Water?

19
20 MR YOUNG: Let me start with the higher level, that we
21 support the proposal for an MoU in this area. Having said
22 that, I think that Sydney Water and Fire and Rescue have a
23 strong history of working well together. I think there was
24 some media on this. There was some media that came out
25 discussing this issue.

26
27 To achieve good value for the community from a
28 Sydney Water viewpoint, that doesn't mean that we see a
29 demarcation, that we're in our area and we're trying to
30 minimise our costs and we don't care about the other costs.
31 I think we want to make good decisions for the entire
32 community that give the best value in the outcome. This is
33 a complex area.

34
35 Our licence sets pressure standards that I think
36 customers at their meter get a minimum of 16 metres of
37 pressure. That is a minimum pressure that is mandated by
38 the licence because it is believed that on a day-to-day
39 basis that will give that household the chance to have
40 showers, run the washing machine and have a quality
41 service. However, throughout our area it's just the nature
42 of networks that the pressure can be up to 100 metres or
43 more.

44
45 That is ideal for fire fighting but it has other
46 drawbacks. When you turn your garden hose on in the
47 backyard and spend five minutes chasing the hose around the

1 backyard trying to catch up with it because of the
2 incredible pressure, what that means for those customers is
3 that they use a lot of water for what they're trying to do.
4 It has an asset management consequence, which is that
5 higher pressure may lead to more breaks for that community
6 and road damage and disruption of traffic and flooding of
7 properties when that occurs, and it also increases leakage
8 through the mains in that, particularly depending on the
9 circumstances, if you've got a sandy area, it increases the
10 amount of leakage that you have.

11
12 They are drawbacks as a trade-off and so the complex
13 area that we're talking about is what is the right outcome
14 for the community to achieve? How do we get that balance?
15 You've got trade-off increasing bigger size of mains in the
16 street, increasing pressure, which may minimise each of
17 those local blocks of units having to upgrade, but we also
18 get more breaks, more leaks, there's the pressure issue
19 that goes against our efficiency of water, so how do we
20 trade that off? I think that's the big debate that we
21 should have and we should work together collaboratively on
22 what's best for the community rather than each of the
23 areas; that's why we support the MoU.

24
25 THE CHAIRMAN: One of the things that Greg touched on was
26 the "Who pays?" and any Sydney-wide requirement means that
27 all water users pay and so that is a very tricky area.

28
29 MR YOUNG: Yes.

30
31 THE CHAIRMAN: This is indeed a very complex area and the
32 proposal for an MoU is to get the ball rolling because
33 there are other levels of government, as you quite rightly
34 pointed out. The example of a new subdivision maybe having
35 sprinklers in all the homes, that's an issue which goes to
36 local government and Planning, which can't be sorted out
37 between you and Sydney Water, and there are issues about
38 what would be the level of pressure to maintain the
39 sprinklers.

40
41 We are very pleased that you've raised the issue and
42 we've taken it seriously and it is a serious issue and in
43 order to progress it, we thought the memorandum of
44 understanding discussion between Sydney Water and Fire
45 and Rescue is, in a sense, a starting point, but there needs to
46 be more across the whole of government on this issue.

1 MS GAMBLE: We agree with that. It very much needs an
2 integrated approach to take into account that there a
3 number of players but also a number of operational areas,
4 like planning controls and building codes, maintenance
5 practices, on-site processes, which I think Greg mentioned,
6 in the capacity of our water supply network. It is quite a
7 complex area but we're very much looking forward to working
8 with Fire and Rescue and other agencies on that.
9

10 MR BUCKLEY: Can I just elaborate on something? Kevin did
11 talk about the higher pressures and stuff. Actually, it is
12 not so much a pressure problem from our point of view, it
13 is the flow, and it probably really comes down to the
14 deterioration in the mains over time. I perfectly
15 understand and agree with the need to reduce pressure to
16 control leakages and breakages, that's sensible, but in
17 terms of needing a 15-metre pressure head for the current
18 operating licence requirements, that's fine, but it could
19 happen at a fairly low flow.
20

21 When we draw water out of that, we add pressure to the
22 water with our pumps; it is getting sufficient volume of
23 water at an appropriate pressure to get it out of the
24 ground. You have to put the hydrant in and there are
25 pressure losses there. As long as we can get the water out
26 of the ground and into our truck, we'll pressurise it, but
27 what happens with a 15-metre head, if you get an
28 encrustation or deterioration over time with the pipes, the
29 flow drops off quite considerably as you start to draw that
30 pressure. We are quite happy with low pressures, as long
31 as they're workable and you can get the fresh water out of
32 the ground, but it is the volume of water we're getting at
33 those low pressures and we see that drop off markedly
34 because of the deterioration in infrastructure, which is
35 why we come to this point about maybe there could be some
36 sort of local solution.
37

38 MR YOUNG: I agree with what Greg is saying. This is
39 where we're having this collaborative approach now of
40 discussing parts of it. It is a volume pressure issue but
41 when you increase that volume, what we bring to the table
42 is then you get a trade-off of the freshness of the water
43 and how fast it travels in that volume and that is the
44 classic trade-off of having the volume there which is
45 perfect on those days with the fire fighting, but on every
46 other day it is the question of how fast that is moving and
47 how fresh water is when it arrives at the individual house,

1 the volume. That is a trade-off issue as well. This is a
2 complex area.
3

4 MR PORTER: I just want to say that it is my belief that
5 the long-term aim of the customer contract should be to
6 include a requirement for flow, because at the moment in
7 your customer contract you detail a whole heap of things as
8 pressure and quality and all this sort of stuff, but
9 I don't see how you can have a contract without an
10 obligation to meet flow. Because they don't have that
11 obligation, this is why we're seeing circumstances where in
12 this thing here there's a number of statements available on
13 pressure and flow from Sydney Water and they indicated they
14 just don't have enough flow. They are meeting their
15 obligations pressurise-wise, but from a fire perspective we
16 get nothing.
17

18 I think in the long-term that Sydney Water, if they're
19 going to provide a water supply service that's going to
20 link with a metropolised community - like, down the track
21 we're going to be all high-rise, et cetera, et cetera -
22 there should be a goal of putting a minimum flow
23 requirement in the operating licence somewhere. I think
24 that then addresses both of the issues.
25

26 THE CHAIRMAN: From your perspective, you think the
27 main variable is flow?
28

29 MR PORTER: Yes. At the moment there's no requirement for
30 Sydney to provide a flow. They can meet their pressure
31 requirement at whatever litreage it is. We believe if
32 you're going to provide a water service, it has to detail
33 both components, both a pressure component and a flow
34 component, and that would then, to some degree, with an
35 increasing building-stock height, et cetera, instead of
36 forcing industrial solutions on, hopefully, they will get
37 more appropriate fire fighting solutions.
38

39 THE CHAIRMAN: That's good, thanks, Mark. Ed?
40

41 MR WILLETT: This might help you, Kevin, it will certainly
42 help me. From my simplistic point of view, I would have
43 thought that the flow issue was a question of pressure
44 times capacity: how big the pipe is, how much pressure
45 you're putting through determines flow. They're the
46 variables that you're looking at.
47

1 I just want you to confirm, or otherwise, on that for
2 my benefit, but the more fundamental question for me is how
3 much control in the short-term does Sydney Water have on
4 the pressure in particular parts of the network at any one
5 time?
6

7 MR YOUNG: We have control in some parts of the network
8 because we have pressure-reducing valves and that's how
9 we've done the pressure reduction in some areas. That has
10 been done deliberately in those areas and it hasn't been,
11 to my understanding, not to get it down to the 16 metres,
12 some of these have been 80 or 60 coming down to the 50 or
13 60 metres, but there's still fairly significant pressure in
14 those areas. We could adjust it.
15

16 With respect to the discussion about setting a target
17 for a flow, I'm going to draw a link here to the
18 conversation that we had about water efficiency. Do you
19 set a target and then say to Sydney Water, "Whatever its
20 costs, we'll meet it", or do you set a framework in place
21 which says, "Let's work out what the economic best balance
22 is between all these options available of on-site, the
23 customer putting it in versus the cost to Sydney Water and
24 what's the best trade-off there." If you just say, "Look,
25 it's a Sydney Water responsibility. This is the flow and
26 this is the target", then we go to a target based regime.
27

28 What I have taken from the work you're doing is that
29 in this complex area we start with an MoU which says,
30 "Can we just put everything on the table, everyone's
31 issues, and say what's the best outcome for the community?"
32

33 MR WILLETT: I think there's a commonality in thinking
34 along those lines. It seems to me the key issue is having
35 the right people having the right discussions at the right
36 time to get those sorts of efficient outcomes and everyone
37 having confidence in that sort of process. As Peter says,
38 an MoU is the first start to that, but it may not be the
39 end point because we need to consider that everyone is
40 comfortable with how the process is working and that we do
41 have the opportunity to get those sorts of discussions
42 about how you meet these varying requirements over time as
43 efficiently as possible.
44

45 MR YOUNG: Yes.

46 MR WILLETT: One of the things that I was going to is

1 I wondered whether there could be also a negotiated
2 arrangement where at a time of emergency Sydney Water is
3 asked to increase the flow, because that's actually an
4 economic outcome for a particular time in a particular
5 area.
6

7 MR YOUNG: Greg talked to us before about really major
8 incidents. I was thinking of the bushfires at Springwood
9 and we often quote that Springwood uses I think 8 million
10 litres a day and during that bushfire event we reconfigured
11 the system to get 28 million litres a day. I never
12 envisaged that the system could be reconfigured instead of
13 eight to get 28. That was because we weren't just
14 providing tankers. We were filling up dams for helicopters
15 to land in. It was all hands on deck at that time to say
16 that, "We've got a major issue here. What do we have to
17 do?"
18

19 THE CHAIRMAN: In the case of Smithfield over the weekend,
20 is it possible, given the current system, that Sydney Water
21 could increase the flow and intervene?
22

23 MR BUCKLEY: They do. I don't know what the title is now:
24 the water service operators I used to think of them as.
25

26 MR YOUNG: Yes.
27

28 MR BUCKLEY: They do respond and manipulate valves and
29 adjust things to assist and that's fine. I don't think the
30 problem is really the big fires. It is the community being
31 prepared for when they might have a fire and that cost that
32 goes across every building, even though the fires are
33 happening fairly rarely. For big fires we're always going
34 to have problems. We will establish kilometre-long water
35 relays from trunk mains and the like and we will manage the
36 situation as best we can.
37

38 It would be ridiculous to require the level of water
39 provision that we might want to deal with a large
40 industrial fire like that. Those places do need to rely on
41 building solutions and tanks and pumps on-site. I agree
42 with Kevin, particularly in view of the way IPART is going,
43 in terms of setting the service arrangements and the ISO
44 standards and the like. We wouldn't necessarily see a
45 target being ironclad on Sydney Water whereby we expect
46 them to meet it, but we think we need to agree on something
47 that is quite objective as a target to work towards and

1 then what the responsibility would be on Sydney Water in
2 working with us where it is identified that that target
3 isn't met.
4
5 Certainly, the best solution for maybe the vast bulk
6 of the network is that we might agree on a pressure and
7 flow range that is appropriate for fire fighting that is
8 reasonable and we can work with. Where they identify that
9 they can't meet that range, what are they then going to do?
10 The way the MoU is constructed at the moment is that there
11 is an obligation to consult and discuss on best endeavours
12 and that's reasonable, but if they have other pressures on
13 them then those things can perhaps fall by the wayside.
14
15 Five years is a fairly long time. We think that
16 certainly by the end of the year agreeing on an MoU is
17 appropriate, but the terms of that MoU I think should take
18 the next step and move towards more of an objective
19 protocol whereby we can flesh out those specific
20 requirements and say, "This is what we agree is probably
21 reasonable, that we can expect, and this is what we're
22 going to do if that's not met." And that's not there at
23 the moment and that's where we think it falls short.
24
25 THE CHAIRMAN: Thank you, Greg. Are there any
26 comments or questions from the floor on the water pressure
27 for fire fighting issue? No?
28
29 MR EDGERTON: I have a question for Greg. What is your
30 view on the scale of the issue? Is it across the network?
31 At one extreme is it the whole network or at the other
32 extreme is it just a few isolated pockets, or is it
33 somewhere in between?
34
35 MR BUCKLEY: It is erratic around the network and I guess
36 Sydney Water would be able to explain more. Rule of thumb,
37 we find problems in the Eastern Suburbs, in the Lower North
38 Shore, the Northern Beaches, things like that, and I don't
39 know if there are any hydraulic consultants here, but in
40 discussing with them they identify issues around Manly,
41 particularly, where even people in units are struggling to
42 have showers properly and stuff like that.
43
44 It is a bit erratic but it is a growing problem
45 because, obviously, they have to control their network and
46 control leakages. With greater numbers of people
47 connecting to the network over time, we'd expect it and we

1 certainly do see it to be a growing problem and we want to
2 try to get on top of it as early as possible.
3
4 MR EDGERTON: I have a follow-up question. You mentioned
5 you see the MoU as having almost clearly defined objectives
6 and targets but also provision to deal with situations
7 where those can't be met. Do you have a view on what those
8 ideal targets or objectives should be in the first
9 instance?
10
11 MR BUCKLEY: As a rule of thumb, we'd probably say we
12 would like to see 10 litres a second at 10 metre heads.
13 Currently, the operating licence says 15. Kevin says 16.
14 I am not quite sure --
15
16 MR YOUNG: It's 15 metres.
17
18 MR BUCKLEY: It is? Okay, that fine, 15 metres head but
19 no flows requirement. As long as we can get the water out
20 of the ground, we'll pressurise it in the fire pumps, or if
21 buildings have installed pumps they'll pressurise it. You
22 only need sufficient pressure to get the flow out of the
23 ground to get to the pump. 15 metres can probably be
24 relaxed in that sense. It has to be confirmed. We need to
25 talk to the engineering experts and the team at
26 Sydney Water, but we would be thinking notionally 10 litres
27 per second at 10 metres head: the 10/10 rule.
28
29 MR EDGERTON: Do you have any examples of what an
30 action could be where that is not feasible?
31
32 MR BUCKLEY: Where that's not feasible we would be in the
33 situation that I described - and that is certainly the
34 situation I described - where a block of units has a fire
35 order placed on it, that they weren't anywhere close to
36 anything like that, so to meet the council requirements
37 they have to install a tank and pumps on the property at
38 great expense. If there are similar blocks of units in
39 that particular environment then I think that's something
40 that needs to be ideally negotiated with the local
41 community.
42
43 They are not going to be happy but the question is do
44 you let one group of people pay \$150,000 to upgrade their
45 building, just for their building and just for fire
46 fighting, because they're not going to get any benefit in
47 terms of improved water supply, and then maybe a year or

1 two later it happens to another block and another block and
2 before you know it, over a period of time, you might be up
3 for millions of dollars invested exclusively in fire
4 fighting that may never hopefully be used, where that money
5 could be put into the street and they'd get a better
6 domestic water supply generally. Sydney Water would have a
7 new main, so they've solved the leakage and breakage
8 problem.

9
10 We need to figure out the relationship and the
11 negotiation would have to take place, how do you impose a
12 levy perhaps on just those people who are going to get the
13 benefit of that main without imposing that cost across that
14 whole network. We are happy to explore that. Maybe
15 councils or fire services can impose an order on everyone
16 to have that charge placed, but these are things that need
17 to be explored.

18
19 MR WILLETT: Just to be clear, for my sake at least, there
20 must be a certain sized pipe that delivers a 10/10 service.

21
22 MR BUCKLEY: A new 100mm, which is the minimum for the
23 pipe, would be ideal.

24
25 MR WILLETT: What we're talking about is in an area where
26 you've got a move to high-rise or high density and clearly
27 a council is going to require, perhaps on an ad hoc basis,
28 a certain flow to provide fire fighting services in the
29 future, or failing that, to install expensive systems
30 within the premises, you'd suggest that at the start of
31 that process there should be a consideration of upgrading
32 the size of the mains?

33
34 MR BUCKLEY: If it is deficient, before imposing the cost
35 burden directly on the consumer.

36
37 MR WILLETT: Because when you get halfway through
38 upgrading all of those premises, you've wasted a lot before
39 you're thinking about the mains.

40
41 MR YOUNG: They are the trade-offs.

42
43 MR WILLETT: They are the trade-offs.

44
45 MR BUCKLEY: There are the trade-offs, we recognise that,
46 but we need Sydney Water to work with us as a partner in
47 this.

1
2 MR YOUNG: We're there.

3
4 MS GAMBLE: Chair, can I just indicate that a gentleman
5 asked a question earlier in the session that might be
6 relevant to that.

7
8 THE CHAIRMAN: Yes.

9
10 MR PORTER: Sydney Water asked for a double-check valve.
11 If someone takes a tapping off one of their networks,
12 there's a double-check valve required by Sydney Water that
13 protects the system when the fire service taps off it, but
14 other states only require a single-check valve and the
15 interesting thing about the double-check valve requirement
16 is it introduces a greater head loss. If Sydney Water has
17 200kPa in the town main, by the time it gets to the fire
18 service it's 100kPa because the loss is across the
19 double-check.

20
21 What we are seeing often is it's the losses across the
22 double-check that are causing - and again I will state this
23 - industrial solutions, ie, tanks and large-bore suction
24 connections on to residential properties.

25
26 The example Greg spoke about is exactly that. This
27 premises would require a fixed on-site tank with a 150mm
28 large bore suction connection because there is not
29 sufficient pressure in the main for our soft hose to work.
30 When you extrapolate that down the street at 150kPa,
31 \$150,000 per unit block, it soon exceeds the requirement of
32 upgrading the main. The double-check valve plays a part in
33 that, so the question was: why does Sydney Water ask for
34 two when Victoria only has one?

35
36 MR YOUNG: The reason is probably lost in the annals of
37 time. I would suggest that sometime 50 years ago someone
38 said, "No, we are going to have two check valves because if
39 one fails, we will have another behind it."

40
41 MR PORTER: I understand the redundancy item.

42
43 MR YOUNG: I expect that's the answer. I was unaware of
44 that. Every customer has a check valve, and probably
45 different customers don't realise it. The reason you have
46 a check valve is if you are a householder filling up your
47 swimming pool with the hose in the swimming pool and, in

1 the street, there is a water main failure, you would get
2 negative pressure. If you did not have a check valve, you
3 would get the swimming pool water coming into the water
4 supply system. It is what they do for industrial premises,
5 say, where you might have chemical factories. It is the
6 same principle there with those procedures.

7
8 I am at a loss - I would like to take this on notice -
9 as to why we have two where everyone else has one. That is
10 the sort of area that we need to look at to provide value.
11 Let us take that on notice. We are supporting the need to
12 have a check valve; it is just why we have two

13
14 MR PORTER: To be honest, I am not fussed that Sydney
15 Water requires two, but it would be nice if every other
16 state then required two as well to have some sort of
17 consistency. There is one state which has 5 million
18 people. That state allows for a single check valve and
19 they don't seem to have any problems there.

20
21 MR YOUNG: I think the issue is what has happened over
22 time is that we put the requirement in place so that those
23 really critical check valves have to be checked for
24 operation. I expect, as we are really rigorous on that, we
25 could probably get back to just one. You have raised a
26 really good issue. We will take that on notice and promise
27 you we will look at that.

28
29 MR PORTER: One other pressure flow inquiry from the
30 statement relates to Darlington, which is in City Road.
31 They have heaps of volume but they only have 200kPa. As
32 soon as the Fire Service takes a tapping off that, they
33 only have 100kPa on the site. That means instead of us
34 being able to function with a canvas hose at 150kPa, the
35 site is now required to put on an industrial tank, large
36 volume, and we have to use cumbersome large hose.

37
38 We are kind of hoping that we can avoid industrial
39 solutions to residential problems in the city, not out in
40 Springwood, but in the core. This list here is Bondi,
41 Dover Heights, all around Manly Vale, et cetera.

42
43 MR CRAWLEY: I think it is fair to say that this would be
44 the benefit of us working together and understanding how
45 both of our sets of equipment work and getting the best
46 outcome.

47

.30/03/2015

50

Transcript produced by Merrill Corporation

1 THE CHAIRMAN: I think so. Thanks for raising that.
2 Sydney Water will take it on notice. Is there anything
3 else on fire water pressure for fire fighting? Any other
4 comments?

5
6 MS HANNA: Finally, Peter, I wanted to ask about the Rural
7 Fire Service. Do they have similar issues? They are not
8 here today. What is your level of engagement with the
9 Rural Fire Service?

10
11 MR BUCKLEY: I am not sure if there is much because we are
12 talking Sydney Water here. We probably cover the bulk
13 geographically and I am not aware of that. They come to
14 the party when there is a big bushfire, as Kevin said, so
15 I think we can --

16
17 MR YOUNG: We work together then.

18
19 THE CHAIRMAN: Thank you, Greg and Mark. Thank you
20 for your time.

21
22 MR BUCKLEY: Thank you very much.

23
24 MR PORTER: Thank you.

25
26 THE CHAIRMAN: It is 10 to 12. We have the priority
27 sewerage program scheduled for 12 noon. Have people just
28 arrived who have come for the priority sewerage program?
29 I am just wondering whether people are comfortable if we
30 kick off on the priority sewerage program now.

31
32 Maybe we will have a 10-minute break. I understand
33 that we are expecting some more people. We will resume at
34 12 o'clock, which is about eight minutes, to be exact.
35 There is tea and coffee available at the back. Thank you.

36
37 SHORT ADJOURNMENT

38
39 THE CHAIRMAN: Thanks a lot, it is 12 o'clock. We are now
40 on the priority sewerage program under asset management.
41 Thanks, Jessica.

42
43 AGENDA ITEM 4 - ASSET MANAGEMENT - Priority
44 Sewerage Program

45
46 MS HANNA: The second session today on assets is about the
47 priority sewerage program. The PSP is a government program

.30/03/2015

51

Transcript produced by Merrill Corporation

1 dating to 1997.
2
3 To date, little information to explain the original
4 rationale or operation of the program, how areas have been
5 selected and prioritised or the cost benefit of individual
6 sites on the list has been provided.
7
8 While most areas have been completed, six areas remain
9 with no time frames assigned to the delivery of these
10 remaining schemes. In the draft operating licence, we have
11 removed redundant references to completed schemes, but
12 retained references to the remaining six areas. As for the
13 current licence, no time frames have been assigned to the
14 delivery of these remaining areas.
15
16 To provide additional transparency around the scheme,
17 we have provided a new annual public reporting obligation
18 of Sydney Water's activities in the previous financial year
19 relating to planning and delivery of PSP projects.
20
21 For today's discussion, we are seeking stakeholder
22 views on retaining the current requirements on the public
23 reporting requirement;
24 Should the government consider alternative mechanisms
25 other than the operating licence to implement PSPs, as
26 discussed in our issues paper, for example, ministerial
27 directions to Sydney Water or seeking proposals from the
28 market for the provision of these services; and
29 Are there any other issues?
30
31 THE CHAIRMAN: Thank you, Jessica. Kevin, from Sydney
32 Water.
33
34 MR YOUNG: I appreciate we may have some people that have
35 just come in for this session and missed what was said
36 earlier. The point I was making earlier was the question
37 of an operating licence and what does it stand for. The
38 operating licence is a mechanism where we understand those
39 small number of issues that are really critically important
40 to the broad base of the entire broader Sydney community
41 and we make sure that we drive value and pay penalties for
42 non-compliance and the like.
43
44 I should say I am someone who has spent half of my
45 career involved in PSPs, either in investigating, planning
46 or designing, and I have been on site in construction of
47 PSPs under government directions across New South Wales

1 broadly with major drivers. The issue for Sydney Water is:
2 is the operating licence the right vehicle to specify PSPs?
3 I think that is a higher level objective.
4
5 With regard to the separate question of how government
6 drives decisions on PSPs, there are many mechanisms that
7 are there already for government to decide to drive. There
8 are ministerial directions, which have occurred in the
9 past, namely, a direction to Sydney Water and IPART to say,
10 "This is a priority for the government against this time
11 frame." This is the mechanism that governments use, under
12 their right power, to make calls asking, "Is this a
13 priority? Where does it fit in with other priorities?" If
14 they want it to occur, they can issue a direction to the
15 business and we can proceed.
16
17 As to the question of whether an operating licence is
18 a mechanism for localised regional schemes, I think the
19 answer is no. I think the operating licence is a mechanism
20 for broader based community driving value in the community
21 on a small key number of issues that impact on the entire
22 community.
23
24 THE CHAIRMAN: Thanks, Kevin. Before I call for
25 comments from the floor, I will call on Frank from the EPA.
26
27 MR GAROFALOW: I am Frank Garofalow from the
28 Environment Protection Authority. Thank you for having me
29 here today and for giving me the opportunity to speak. I am
30 here basically to clarify the EPA's role in relation to the PSP
31 process and also to answer any questions that may be
32 directed towards the EPA.
33
34 The EPA does not have a role in determining the PSP
35 obligations in Sydney Water's operating licence. There is
36 no role for the EPA in that process. The EPA was involved
37 in the environmental assessments in the nomination of areas
38 in 1997 and 2002. However, final priorities for
39 determining what areas were funded and were proposed lay
40 with the then Minister for Utilities after considering a
41 range of issues including environmental issues,
42 operational, economic and social factors.
43
44 As I said, it was a decision by the then Minister for
45 Utilities. The EPA has no ongoing role in relation to PSP
46 determinations, and I just wanted to make that clear, but
47 it is certainly an area in relation to which we receive

1 much input.
2
3 THE CHAIRMAN: Thank you very much, Frank.
4
5 I will now call for questions from the floor. Some of
6 you might not have been here earlier. You need to identify
7 yourself, please, and the organisation with whom you are
8 affiliated. Also this is being transcribed, it is a public
9 record, and it will go up on our website next week.
10
11 We will now take the first question from the floor.
12
13 MR GYE: My name is Bill Gye. I represent the Scotland
14 Island Residents Association and I am the president of that
15 association. I would like to begin, first of all, with an
16 acknowledgment and thank the Tribunal for their
17 recommendation, at least in the draft, for the retention of
18 the PSP program.
19
20 As a little bit of background for those who don't
21 know, Scotland Island is a suburb of the Sydney
22 metropolitan area. It is in the Northern Beaches. We are
23 situated in the Pittwater about 150 metres from land, at
24 the closest point, where there is a sewerage infrastructure
25 at the moment. There is a main sewerage infrastructure is
26 about 150 metres away from the island.
27
28 We have 800 to 1,000 people living on Scotland Island
29 and about 350 houses there. It has a fair slope and a soil
30 profile with an average depth of about eight inches.
31 Perhaps somebody could translate that into centimetres for
32 me, please.
33
34 We have had a long conversation over many years with
35 Sydney Water. We may have slightly different
36 interpretations of what the history has actually been. Our
37 sense of it is that we understood that we had a promise of
38 sewerage, which we still don't have. Also we don't have
39 mains water. We have one tap on Scotland Island. It is a
40 little bit like a third-world situation. You come with
41 your buckets, if you want, and you can collect water for
42 your home to flush your toilet. There are some ad lib
43 poly-pipe systems there to extend the tap.
44
45 At the moment our focus is on the sewerage, but there
46 would be a strong desire for water as well. The new
47 technology for pressure systems in sewerage allows sewerage

1 to happen without water, which was not the case a decade or
2 so ago, so the situation has changed.
3
4 There is a significant amount of data about the health
5 and environmental impacts there, but I will not go into
6 detail. We did have a detailed report done by a
7 professional organisation at the cost of about \$40,000.
8 About 15 years ago, the Martens Report looked at the health
9 and environmental impacts and I will not summarise that.
10 However, there is certainly a justification and a need for
11 it.
12
13 What we are asking for here, though, is not just the
14 retention of the PSP on the contract, but we would like a
15 commitment within the current contract. In other words, we
16 would like a timeline on when the project will be done.
17 That is different to the recommendation and that is what we
18 are asking for. Otherwise another five years will go by
19 and then another five years. It is fine to be on an
20 operating licence, but if there is no time commitment, it
21 means that it just gets put back forever.
22
23 We are in the hard basket. We are one of the three
24 kids in the hard basket and I appreciate that. From our
25 point of view, we need this commitment. Our need is
26 significant and I am representing those stakeholders who
27 have been very clear in their request for that.
28
29 Amongst the health issues now, of course, we look
30 to Dangar Island, which is a similar situation. When
31 their PSP - their sewerage program - went through and
32 the sewerage was installed at Dangar Island, three months
33 later - and we have heard many of the reactions - they were
34 able to take away the mozzie nets from the screens. We
35 have a very significant mosquito issue at the moment.
36 Maybe this is a bit cheeky of me, but with the beginning of
37 Ross River Fever coming down to Sydney right now, that is
38 another added health aspect that has not come onto the
39 table before now. We would like to put that as part of the
40 considerations.
41
42 In terms of the funding for the project, there is sort
43 of a cost, an estimated cost, in Sydney Water's report.
44 How that is arrived at, we defer to Sydney Water. We have
45 a number of civil engineers on Scotland Island who greatly
46 dispute the significant cost of the project. That is not
47 what we are here to debate. How it is paid for, whether it

1 comes from a government directive or not, we do not care as
2 long as it is actually done.
3
4 There is a significant commitment from government.
5 From Hansard, it is very clear that the former Premier,
6 Barry O'Farrell, has made strong commitments explicitly
7 that Scotland Island would be done in the first term of
8 government. There are several other references from
9 John Brogden, our local member at the time, and several
10 other commitments.
11
12 There is a very strong statement in a document which is the
13 New South Wales Government Northern Beaches Regional
14 Action Plan. Once again, it explicitly says that within a
15 certain time frame that has now passed, sewerage would be
16 connected to Scotland Island. So there is a strong
17 commitment from government for that infrastructure.
18
19 In terms of the option for residents contributing
20 financially to this, first of all, Scotland Island has a
21 number of essential workers. We have a number of teachers,
22 we have a number of aged care workers, we have a number of
23 nurses there. The slightly lower land values in the
24 offshore communities has meant that there has been
25 affordable housing over many years for those essential
26 workers who are now rare on the Northern Beaches - they
27 have to be bussed in from out west. Those people don't
28 have a great capacity to pay.
29
30 Everybody in other PSP programs has made some
31 contribution in terms of the connection to the system,
32 maybe the adjustment of their domestic system and the
33 connection to the mains system. Of course, we would be
34 happy to pay what other people who have been recipients of
35 the PSP program have paid, but if you start asking people
36 for enormous financial contributions, the project just will
37 not happen because they cannot pay.
38
39 On closing, those probably would be my initial
40 comments. There are a few more other points, but to be
41 brief I will close off there,
42
43 THE CHAIRMAN: Thank you very much, Bill. Anybody else?
44
45 DR GREENAWAY: My name is Michael Greenaway. I am a
46 physician and a graduate of Sydney University. My wife and
47 I now live in Connecticut, where have lived for 40 years.

1 We have a well and we have a septic system in Connecticut.
2 We are also part-time residents on Scotland Island.
3
4 I have been coming to Pittwater - I grew up in
5 Sydney - probably for 60 years now. Scotland Island back
6 then was a holiday community. Now there is a lot of use -
7 a lot of use - and the place smells of sewage. When you
8 get wet weather, there is raw sewage flowing into people's
9 backyards, flowing into Pittwater. This problem will only
10 get worse. It will not be fixed. It is not going to go
11 away. Thanks for your time.
12
13 THE CHAIRMAN: Thank you very much, Michael. Anybody
14 else? Are there any other questions or comments?
15
16 MR YORKE: My name is Steve Yorke. I have been a resident
17 of Scotland Island for 25 years. I concur with Bill Gye,
18 the president of SIRA. He has the full support of the
19 residents on the island.
20
21 For 25 years we have been promised a sewerage system
22 on the island. It just keeps getting pushed back and put
23 in the too hard basket. I think in this term it is about
24 time that we will actually see some progress in relation to
25 this matter. As I said, the association has the full
26 support of the residents on the island. We certainly
27 request the Tribunal to take this matter seriously and that
28 it be looked at during the course of this licence period.
29
30 THE CHAIRMAN: Thank you, Steve. Is there anybody else
31 from the floor?
32
33 Sydney Water would you like to make any further
34 comments?
35
36 MS FRANCIS: I am Danielle Francis from Sydney Water.
37 I would like to acknowledge that I am glad that we have a
38 shared understanding, if you like, of the draft operating
39 licence as it stands. One of our concerns is that it
40 contains an obligation on us with regard to the priority
41 sewerage program, but it is not an obligation to deliver.
42 We have been concerned that it may be confusing to
43 stakeholders in the sense that it provides a lot of mention
44 of the priority sewerage program but not actually one for
45 us to deliver.
46
47 It does provide an obligation for us to continually

1 report and investigate on the program. That would include
2 things like the financial and technical feasibility and so
3 on, so that is something we are happy to do.

4
5 As mentioned previously, we think there are other
6 mechanisms that are available for government to enact
7 delivery of the program, such as a direction under the
8 State Owned Corporations Act. That is something that could
9 be done at a time and method of the government's choosing.
10 We have said in our submissions that we are very happy to
11 work with the government to continue to explore mechanisms
12 like that.

13
14 THE CHAIRMAN: Thanks, Danielle. Matt?

15
16 MR EDGERTON: Could I ask Sydney Water, putting aside any
17 obligations in the operating license, could you tell us how
18 you determine when you service certain areas, how you
19 determine essentially your planned roll-out of
20 infrastructure to certain areas, and I guess how that
21 business as usual planning relates to communities such as
22 Scotland Island and, therefore, why is it necessary to
23 identify them separately?

24
25 MR YOUNG: I might answer that. Generally with a
26 community that is growing in greenfield sites we see that.
27 In major areas or infill development, that is a process
28 that just continues with notification of what those costs
29 are and allocation of costs and that just gets done - we
30 are ahead of the game.

31
32 This area is the backlog area, so that makes it a lot
33 more complex. I said I had been involved in a lot of
34 backlog schemes and that is true. When the program first
35 started a long, long time ago, it started with the ones
36 that were the easiest ones to tackle with huge numbers of
37 people and the costs were not that different from someone
38 developing in an area. It was not a major consideration
39 because you are talking 50,000 people or 150,000 people and
40 those sorts of big schemes around New South Wales - Gosford
41 and Wyong and the Hunter.

42
43 However, as you are working through the list, it gets
44 to a point where it is a really tough decision for
45 governments to make. As the list has got shorter and the
46 size has decreased, the cost to service has greatly
47 increased.

1
2 Really what we are relying on with government would be
3 to provide the information and it is a government decision
4 then to say how does this trade off? I think Bill, Steve
5 and Michael have made good points about the issues, and
6 then there is the decision. First of all, is there a clear
7 case that something needs to be done here against options?
8 Is it better to use the on-site systems versus a new
9 reticulated sewerage scheme? Given that choice, then how
10 does the payment get made for it? Is it something that the
11 general community pays for as against localised?

12
13 They are big picture decisions to make which are
14 getting more and more difficult as we follow down the curve
15 of the remaining schemes versus the cost of the schemes.
16 They are tough decisions to make.

17
18 THE CHAIRMAN: Thanks, Kevin. Anybody else?

19
20 MS ROUGELLIS: Persephone Rougellis, from Sydney Water.
21 Just to add to what Kevin has said, three of the remaining
22 schemes are actually on the greenfield growth servicing
23 program. These are areas already identified by the
24 government for future urban development. So three of the
25 six are actually on Sydney Water's growth program. Based
26 on the rezoning timetables and the development timetables,
27 in those areas, we can make an estimate of when we would be
28 expecting to service those particular areas.

29
30 The three we are speaking of are Austral, Menangle
31 Park and Menangle. The other three are in the group that
32 Kevin just mentioned which are the hard to service areas
33 where we are looking at more complicated issues. Two of
34 the three do not have reticulated water, one is extremely
35 remote, so we do need to be looking at alternative
36 servicing options. In those situations, it is harder to
37 pick a time frame because it depends on various factors.

38
39 I think the important thing is that we wish to
40 continue the dialogue with government because we are one
41 player in this framework and it is important for us to have
42 this whole of government approach because this issue
43 applies across the state and not just our operating area.

44
45 THE CHAIRMAN: Thank you, Persephone. Anybody else?

46
47 MR EDGERTON: I have a question for Frank. We have heard

1 a bit about some of the potential environmental issues
2 associated with Scotland Island. Could you tell us a
3 little bit more about essentially where the line or
4 threshold is in terms of the EPA's involvement in this
5 issue and if the EPA does not have a regulatory
6 responsibility, where potential regulatory responsibility
7 lies?
8
9 MR GAROFALOW: Certainly. As I mentioned before, the EPA
10 is not involved with the PSP program itself. In terms of
11 obligating Sydney Water to do that, that is a government or
12 an IPART decision on what works go on with the PSP or
13 otherwise.
14
15 In relation to overall environmental performance, we
16 have heard from residents of Scotland Island of a whole
17 range of issues that are impacting upon them. Probably
18 chief among them, from what I heard, was in relation to the
19 health issue. Again health is not an issue that EPA is
20 responsible for. It is NSW Health which looks after that.
21
22 However, in relation to the environmental issue, if we
23 look at the way that the EPA interacts with Sydney Water -
24 Sydney Water is a very large organisation that has
25 significant activity across the whole of the Sydney
26 metropolitan area and beyond - we work with Sydney Water
27 to prioritise those locations and those of highest risk. Our
28 pressure on Sydney Water therefore generally tends to be in
29 relation to the areas where the environmental impact is
30 highest.
31
32 In relation to Scotland Island, Scotland Island would
33 not be a significant environmental impact. That is due to
34 the comparative scale. If you compared Scotland Island to
35 some of the other locations where Sydney Water is active,
36 the actual volume and amount of sewage that we are talking
37 about is low. The receiving water is an estuarine water
38 body which has a higher level of resilience as opposed to a
39 fresh water system such as the Hawkesbury-Nepean where
40 the fresh water is much less able to handle those impacts.
41
42 From the purely environmental point of view, which is
43 not the basis on what these decisions are made, Scotland
44 Island would not be a high priority for the EPA. As
45 I said, however, there are a range of other issues that
46 need to be considered.
47

.30/03/2015

60

Transcript produced by Merrill Corporation

1 THE CHAIRMAN: Before I call on you, Bill, in your earlier
2 comments you made the point about who would pay. This
3 very much, I think, gets to the nub of it. If Sydney Water is
4 directed to go ahead with a sewerage program or if they
5 choose to do it, that will just go in and all other water
6 consumers will pay for it across Sydney. If the government
7 decides to go ahead with a sewerage program on Scotland
8 Island and it decides to pay for it, it could either pay
9 Sydney Water directly or pay a private contractor to do it
10 and then it would be funded by the taxpayers. Of course,
11 the alternative, which you have ruled out, and I understand
12 why you have ruled it out, is that the residents would fund
13 it.

14
15 It is very difficult to make progress on this because
16 it is a government decision. It is not an IPART decision
17 or a Sydney Water decision or an EPA decision or a Health
18 decision - it is a government decision taking all those
19 factors. At the end of the day, somebody has to pay. The
20 three categories that are in the firing line are water
21 consumers, the taxpayers or the residents or some
22 combination thereof.

23
24 Anyway, you wanted to add something, so I will call on
25 you now.

26
27 MR GYE: Thank you, Mr Chairman. I acknowledge your
28 comments, thanks. You framed it very well.
29

30 I wanted to pick up on a point that was made in terms
31 of the environmental impact. I appreciate we may be below
32 the radar in terms of the scale there, but there is some
33 data available which is pretty solid. We are an area with
34 the last of the spotted gum forests in that part of the
35 Northern Beaches. There is a significant impact upon that.
36

37 Probably more importantly, while it is a high
38 resilience area in that the water moves all the time, after
39 a significant rainfall, the microbial content of the water
40 is extremely high and the clear recommendation is that you
41 do not swim in the water for at least 12 hours, if not
42 24 hours.
43

44 However, the long-term effect is on the seagrass
45 there, and there has been a noted change. There has been a
46 huge spread of Caulerpa around Scotland Island meaning that
47 the fish cannot breed appropriately. It is an underwater

.30/03/2015

61

Transcript produced by Merrill Corporation

1 weed species. That is a massive problem that has been well
2 documented and that does affect a major significant
3 waterway - Pittwater - and the fishing. So there is a
4 small scale but significant environmental issue there - at
5 least those two and probably a third one as well.

6
7 MR GAROFALOW: Thank you for that and I appreciate that.

8
9 I actually failed to comment on the second half of
10 Matt's question which was in relation to the regulation of
11 the site and that actually falls to council. Because of
12 the fact that the area is not sewered by Sydney Water, it
13 is not the EPA which regulates the site in relation to its
14 environmental impact. It is the local council which does
15 that. Really, the questions and concerns around the
16 localised environmental impact, which I do not doubt are
17 significant, should be referred to the local council in
18 terms of how it is managing and regulating that issue.

19
20 THE CHAIRMAN: Thanks, Frank.

21
22 One last opportunity before lunch. Would anybody else
23 like to make a comment or ask a question on the priority
24 sewerage program under asset management? All right, thank
25 you all very much. We will break for lunch now and we will
26 resume at 1pm.

27
28 LUNCHEON ADJOURNMENT

29
30 UPON RESUMPTION

31
32 THE CHAIRMAN: We had on the agenda at 1pm "Water
33 pressure for fire fighting". As you know, we brought that
34 forward but a couple of people have turned up because they
35 came especially for it at 1pm. What I'm going to suggest is to
36 get Jessica to run through the two slides quickly and then
37 I will ask people from the floor to make some comments and
38 then give Sydney Water an opportunity to respond to those
39 comments.

40
41 I don't know whether the fire and emergency services
42 would like to be at the table as well. Would you?

43
44 MR PORTER: I'm happy to go up there.

45
46 THE CHAIRMAN: Why don't we kick off with Jessica running
47 through the two slides again and then I'll ask for comments

.30/03/2015

62

Transcript produced by Merrill Corporation

1 from the floor.

2
3 AGENDA ITEM 5 - WATER PRESSURE FOR FIRE FIGHTING

4
5 MS HANNA: As I mentioned before, flows for fire fighting
6 was an issue that was raised by Fire and Rescue NSW, in
7 response to our issues paper, in their submission. There
8 is at present no regulatory obligation for Sydney Water to
9 provide water for fire fighting at a given pressure. Some
10 obligations exist through the Building Code of Australia
11 for larger building owners to provide sufficient quantities
12 and pressures of water for fire fighting, although these
13 can come at a higher cost than simply just replacing the
14 mains in some circumstances.

15
16 As a first step towards addressing this issue we have
17 included an obligation for Sydney Water to use its best
18 endeavours to establish a memorandum of understanding
19 with Fire and Rescue NSW in the draft operating licence. The
20 aim of the MoU is to formalise the relationship and
21 prioritise the issue. The MoU will at a minimum need to
22 cover arrangements for information sharing between the two
23 agencies, consultation during the planning and design of
24 new assets and a working party to further investigate the
25 issues.

26
27 The obligation is auditable and Sydney Water will need
28 to demonstrate to an auditor that it has both used its best
29 endeavours to establish the MoU and that the MoU
30 adequately covers the minimum requirements.

31
32 The discussion questions that we had up were is the
33 MoU an appropriate response or should IPART include
34 pressure and flow rate standards or other requirements in
35 the operating licence and, if so, what would be the costs
36 and benefits of such an approach?

37
38 What has been the impact of leakage reduction
39 programs? How do we deal with these types of competing
40 priorities? Is this a larger issue that requires a
41 separate review and, if so, what other parties or
42 regulatory instruments does the issue involve? Who should
43 be responsible ultimately for the availability of water for
44 fire fighting?

45
46 THE CHAIRMAN: Thank you very much, Jessica. Are there
47 any comments or questions from the floor?

.30/03/2015

63

Transcript produced by Merrill Corporation

1
2 MR PORTER: Would you like me to summarise, for those who
3 weren't here, what we roughly said this morning? Would
4 that help?

5
6 THE CHAIRMAN: Yes, Mark.

7
8 MR PORTER: This morning Greg Buckley spoke on behalf of
9 the fire brigades. I wrote some points down. Basically,
10 he said who was responsible for providing fire fighting
11 water? Was it the community or was it Sydney Water? He
12 spoke briefly about the fire at Smithfield but he indicated
13 that was an atypical example, a large fire requiring lots
14 of water, and we wouldn't expect Sydney Water to meet those
15 demands.

16
17 He indicated that customers rely on Fire and Rescue
18 NSW to draw water from Sydney Water's infrastructure.
19 Greg indicated there was currently a disconnect between
20 levels of government, the ABCB, Planning New South Wales,
21 Sydney Water and councils, so that people are enforcing
22 things and doing whatever, and he hoped that there would be
23 greater coordination.

24
25 Greg indicated that he would prefer to have a protocol
26 detailed in the operating licence as opposed to an MoU,
27 something a bit stronger than a memorandum of
28 understanding. We also indicated that we felt in the
29 contract with the community it should detail a requirement
30 for flow. Currently, there is drinking water pressure and
31 there's no flow.

32
33 The last thing we spoke about, we gave a generic
34 example of a unit block that had been forced to put a
35 hydrant system on which was going to cost \$150,000. If
36 that was multiplied down the street, it would be far more
37 in excess of that required to upgrade the town mains.
38 They were the main points that the brigades raised.

39
40 THE CHAIRMAN: Thanks, Mark. Do you want to comment,
41 Kevin?

42
43 MR YOUNG: I will do a brief summary, Chair. I think the
44 discussion that we had earlier was actually you could take
45 that as almost the first meeting of the MoU of the parties
46 getting together and putting together the points of view and
47 what was I think common ground was that we agreed that

1 there should be more interaction. We have had a good
2 working relationship, but on these really strategic issues
3 we need to get together, pick up the things that were
4 raised this morning and work out what is the best way
5 forward to give best value for the community on this issue.

6
7 There was talk about setting a target which if you do
8 that you say, "Whatever it costs, Sydney Water will spend",
9 or to do the MoU and then put it in place. What are all
10 the things that we need to take into account and what is
11 the best way forward for each particular area? I think
12 I would support that, that we do the MoU, we get a
13 framework in place and if that leads to make you want to
14 determine that sort of thing, that it is based on value for
15 the community.

16
17 From our viewpoint, we are not staying on our side of
18 the jurisdiction and saying, "This is it." We are saying
19 what is the best outcome for the community and what needs
20 to be spent? I think that Fire and Rescue were the same:
21 "Good. What's the best outcome?"

22
23 THE CHAIRMAN: Thank you very much, Kevin. Over to
24 the floor. Would somebody like to make a comment?

25
26 MR STEBLNA: My name is David Steblna. I represent the
27 Property Council of Australia and also a member of the
28 Association of Hydraulic Services Consultants of Australia.
29 The problem with respect to the design and engineering of
30 fire services is twofold and there are multiple aspects to
31 all of this. My first comment on the MoU is that it is a
32 great idea. However, we need to have some structure around
33 it. Mark mentioned that we should have some minimum flow
34 characteristics that Sydney Water are required to provide,
35 not just pressure. When we're designing a new building,
36 money is tight, developers are pushing and we're
37 fast-tracking our designs and we can't be seen to be
38 relying on organising a meeting between the relevant
39 parties and the stakeholders mid-design phase to work out
40 whether we're going to add tanks and pumps and greater
41 infrastructure into a building.

42
43 As designers we are forced to design to various codes,
44 the Building Code of Australia and the
45 Australian Standards, and we're there to minimise the risk
46 to the landlord as well and we are also mindful of how the
47 fire brigade fight their fires.

1
2 If we can't go in with a standard and set framework of
3 how we design the fire system, because there's an unknown
4 quantity factor which is how much flow and pressure we're
5 going to get from Sydney Water's supply, then we are
6 potentially going to drag on the documentation program time
7 and time costs money and so on and so on. We are getting
8 pressured a lot more. Given that the industry is where it
9 is at the moment in New South Wales, there is a lot of work
10 on, so we're pushing things out the door. We need to be
11 able to make decisions fairly quickly, within the first
12 week of being engaged on a project, about in which
13 direction we are heading. That is from the engineering
14 perspective and I'm sure David will continue on from that.
15

16 From the Property Council's perspective, their members
17 are concerned about the impact of costs in a retrospective
18 review of their fire systems. In some instances, they're
19 up for hundreds of thousands of dollars to install tanks
20 and pumps on systems on a building which proves that they
21 didn't have to put it in.
22

23 There is a whole learning curve. There is some
24 information that I think Sydney Water tried, with all due
25 respect, some years ago to share with the community. I was
26 involved in that but I don't think it has actually gotten
27 across the board. There are building owners who are quite
28 surprised when they ask us to do an audit and we're telling
29 them that they will spend \$200,000 worth of upgrading and
30 they're saying, "Where's this coming from?" That
31 information needs to be put out to the public probably a
32 little bit better.
33

34 Just in summary, from my perspective, we need minimum
35 pressure and minimum flow data to work with.
36

37 THE CHAIRMAN: Thank you, Dave. Is there anybody else
38 from the floor?
39

40 MR WOOD: My name is David Wood from the Association of
41 Hydraulic Services Consultants of Australia. I am also
42 chairperson of AS2419.1, which is the hydrant code, which is
43 what hydrants are designed and installed to throughout
44 Australia. David has covered most of the issues there, but
45 what we are finding is when we get involved in fire orders
46 on existing buildings that were built in the last ten to
47 20 years or older, the 1970s, the fire orders are a

1 requirement to upgrade to current standards.
2

3 The current standards require different flows or they
4 even require pressures as well different from when they
5 were built. These body corporates are then investigating
6 and finding out that they have to spend a lot of money to
7 upgrade.
8

9 We are then installing tanks on lots of units that are
10 side by side and it is not cost effective really from the
11 body corporates point of view because they're all doing the
12 exact same thing, so it would be better to upgrade the
13 mains to cover that sort of flow.
14

15 We are also finding areas where there are no flows at
16 all in the mains for fire fighting, such as Darley Road at
17 North Head. We have got several blocks of units there but
18 they just do not have any fire flows whatsoever. We think
19 that is a dangerous situation because at North Head there's
20 a lot of bush there, there's a hospital there, there's
21 Ronald McDonald House, things like that, and the mains used
22 to have the flows and the pressures but now they don't even
23 appear to have the flows for fire fighting. That basically
24 sums up our point of view.
25

26 THE CHAIRMAN: Thank you, David. Is there anybody else
27 from the floor?
28

29 MR BUCKLE: My name is David Buckle and I am representing
30 the AHSCA as well. I am a designer of these systems and a
31 consultant. I think the main issue for us is a little bit
32 about self-interest. The main issue is that we can boost
33 pressure in a water main by adding a pump but we can't
34 boost flow. Fundamentally, if we break it down, the whole
35 thing is about achieving the flow that we require. Under
36 the codes as they are, if we can't get 20 litres of second
37 out of a water main, we can't have a fire compartment
38 greater than 500 square metres.
39

40 On an existing building, if they receive an updated
41 pressure and flow inquiry that says that they are getting
42 less than 20 litres a second out of the main, they're
43 looking to put fire shutters in basements, to subdivide
44 buildings, to run all around the place compromising the
45 design and amenity of the building because they can't get
46 the water out of the main.
47

1 When it comes to putting 288,000 litres of water in a
2 tank in a block of flats in Dee Why, or wherever, you can
3 imagine how possible that is; it is just not possible.
4 This is a snowballing effect going right down the line.
5 Sure, we would like pressure, we love pressure, but we have
6 to have flow out of the mains. If we don't have the flow
7 then we've got a massive problem. The fire brigade can
8 boost flow out of their trucks, we can boost flow with
9 diesel pumps, it all becomes possible, but if we don't get
10 flow, that's an issue.
11
12 On another point, my observation, having been involved
13 in this industry for a long time, I think it was in the
14 last IPART hearing, the last cycle, the Global Financial
15 Crisis was underway, is that Sydney Water's funding from
16 headworks from developers for potable water and sewer was
17 removed from them. That income stream was removed from
18 Sydney Water.
19
20 My observation is that they've looked at what they can
21 do with the money available and reacted by saying,
22 "Well, we are not going to build any infrastructure." And
23 that's what we are looking at now. We are looking at five
24 or more years, there is no income, no resources to build
25 infrastructure and we are so dicking around the edges of
26 it. Really, if we want to do it properly we need to return
27 their funding so they can build infrastructure and then we
28 will all be happy and the problem will go away.
29
30 THE CHAIRMAN: Thank you, David. That is developer
31 charges and that was set to zero in 2008, I think, that is
32 for new developments, but anyway, I will let Sydney Water
33 respond to that.
34
35 MR CUMMINGS: Mark Cummings. I am a fire services
36 designer. I am also representing the AHSCA these days.
37 I just want to put it in slightly more emotive terms; it
38 has been quite technical. This will potentially put little
39 old ladies on the streets because they are very asset rich.
40 They have lived in some of these places for a long, long
41 time. They do not have any cash flows. The \$150,000 that
42 has been mooted I reckon is cheap in some cases, because
43 that was with the metal tank which is the most efficient
44 way of storing water.
45
46 If we have a site that is incredibly difficult, we can
47 have significant excavation, we can have concrete tanks and

1 then you've got to find a place for a pumper, et cetera.
2 Half a million dollars could easily be spent by an
3 apartment building that might have 20 people living in it
4 and those 20 people, most of them, or many of them, could
5 be little old ladies who have lived in there for 40 years.
6
7 This has a serious impact on some of our residential
8 people. We hear big buildings and we hear big business,
9 you know, they can go and build it themselves, we are all
10 happy about that because it's a cost of business, but it
11 shouldn't be a cost of business for someone who has lived
12 in one of these places for 40 years and they're then
13 suddenly stuck with this big cost.
14
15 There has to be a methodology that is produced.
16 We have heard about the street and council, as they go
17 through, whatever they see fit, whatever their triggers are
18 for fire upgrading for these buildings, often you'll have a
19 whole bunch of them, they just do one at a time. I don't
20 know what their logic is. You might find it is easier for
21 these building to put a contribution forward that may be a
22 set fee which gets their main upgrade and then as the other
23 ones do it, they have to pay that fee, but it's a hell of a
24 lot cheaper for them to pay \$20,000 as a contribution than
25 it is to pay \$500,000.
26
27 THE CHAIRMAN: Thank you, Mark. Is there anybody else?
28 You will have an opportunity again. I think it would be
29 good to call on Sydney Water to make some comments.
30
31 MR YOUNG: Chair, I want to acknowledge the issues that
32 have been raised today; they're real issues. I just want
33 to clarify a couple of the points from the three Davids and
34 Mark. With respect to this question of the GFC and
35 developer charges, we want to spend the money that we think
36 is of value to the community, so there's never an issue of
37 us saying that we are going to take an arbitrary cut. If
38 we think that we can present a strong argument that what we
39 are spending is efficient and represents value to the
40 community as a whole, we will put that to IPART, they
41 listen to it, and that's the money that we get.
42
43 It isn't on the basis that we say, "We're just going
44 to cut some of these projects out." It gets down to us
45 presenting the case of what is value. I just want to clear
46 that up. We will be there, we'll stand for what we see,
47 which is really efficient value for the community.

1
2 The first Dave talked about how things are so hot at
3 the moment and we need to be more responsive. Actually, we
4 are with you. We see a really hot market at the moment and
5 we see that the developers are incurring the costs. I pick
6 up the point you are making which is that Sydney Water
7 needs to move with that and be faster in giving advice so
8 that you can move as quickly as possible. Time is money at
9 the moment and people are seeing the boom and they want to
10 move quickly. We would just take that on board. We
11 understand what you're saying, that we need to be faster
12 and more responsive.
13
14 The difficult area is the retrospective one. I do
15 appreciate that some people are asset rich and don't have
16 much money. In one sense they might be saying, "Look, this
17 is a 1970s or a 1960s building", but a call has been made
18 that the fire fighting has to be upgraded and they take a
19 personal call that they're happy with how the building was
20 when it was constructed, with the regulations at that time,
21 but for whatever reason there has been a call made that
22 says from a rescue point there has to be an upgrade.
23
24 I think that the question there is what's the best
25 outcome and that's a fair discussion that we should have,
26 that at a cost of \$150,000 or \$500,000 for each of the
27 blocks, because of the new regulations that have come in,
28 versus what Sydney Water could do, and this leads to an
29 early conversation that we should have with Fire and Rescue
30 on that because if we are augmenting that area, sometimes
31 just to go up one pipe size would give that capability; it
32 would be not much money. Early consultation and
33 engagement would make sense.
34
35 The difficulty occurs if we don't have any plans to
36 upgrade and we are facing this thing, how do we spend the
37 money and on what basis do we go to IPART to say, "Look,
38 we'd like you to agree to this investment." If that's the
39 case, I think that's the MoU working together with
40 Fire and Rescue and people such as yourselves to say what's
41 the best way forward in that area.
42
43 The funding is not an issue if we can present a value
44 case. We need to be quick with responses on the new areas.
45 We can do that. The issue we need to discuss is the
46 backlog retrospective question, which is a tough one, and
47 I'd like us to start the MoU so that we can start putting

1 some brain work on the table to get involved.
2
3 THE CHAIRMAN: Thank you, Kevin. Just to clarify, what
4 happens is because IPART is the price regulator as well as
5 the licence issuer, that when Sydney Water puts in for
6 their price review, they put in their proposed capital
7 expenditure, which can include an upgrade of water mains in
8 North Head, for example. They put that in and then IPART
9 goes through and makes a judgment about whether it is
10 prudent and efficient and if we judge that it is prudent
11 and efficient, we then set the prices to cover the return
12 on that capital and the depreciation of that capital.
13
14 It is really an issue about what is the most
15 appropriate response. It might not be the most appropriate
16 response for Sydney Water to go around and identify a whole
17 lot of areas and then put in for upgrades. There might be
18 a better response that can be worked out with Fire and
19 Rescue and people like yourselves. That was the idea of
20 putting the MoU in. Let's start this conversation and let's
21 see what is the appropriate response.
22
23 One response is just to put in some minimum standard
24 which says that they must generate sufficient flow,
25 sufficient pressure, whatever. That might not be the best
26 response because that has to be paid for and that will be
27 paid for by all consumers of water and so we just need to
28 go to that. One of the points in Jessica's slide was is
29 this a larger issue that requires a separate review?
30 I think the answer is yes and Fire and Rescue and
31 Sydney Water have done a great job in getting this on the
32 agenda. It is on the agenda now.
33
34 In our draft licence we view the MoU as being a first
35 step. This is probably a bigger issue where these things
36 need to be sorted out. You have local councils, you have
37 the building standards, you have a lot of other players
38 involved in it, apart from Fire and Rescue and
39 Sydney Water. It is well and truly on the agenda and it is
40 now after your contributions, which are greatly
41 appreciated. We have taken this issue very seriously and
42 we will be looking to put to the government about having an
43 independent review, as well as dealing with it through the
44 MoU in the licence. Thanks very much for coming. Is there
45 anything else before we move on to the rest of the agenda?
46 No?
47

1 MR STEBLNA: Just from a humble private citizen's
2 perspective, water is an extremely valuable asset and it
3 has always been my view that we are not paying enough for
4 it because it is being wasted by private individuals,
5 probably even commercial people, so I think you can hike it
6 up a bit: that's a personal view.
7
8 MR PORTER: Just write that in the notes, "Hike it up."
9
10 THE CHAIRMAN: We will take that on board, Dave. What's
11 more is we are reviewing Sydney Water's prices, starting
12 about now, to begin on 1 July 2016.
13
14 MR YOUNG: Yes.
15
16 THE CHAIRMAN: You will have an opportunity then to make
17 another submission and to come to another public forum.
18
19 MR YOUNG: To crank it up.
20
21 THE CHAIRMAN: Thank you all very much, it's much
22 appreciated. Could we move to item 6 on the agenda which
23 is the "Customer Contract". Thank you, Mark. I will ask
24 Kaye to make some opening remarks.
25
26 AGENDA ITEM 6 - CUSTOMER CONTRACT
27
28 DR POWER: Chapters 4 and 5 of the current licence have
29 been combined into chapter 5 of the draft operating
30 licence. Chapter 5 of the draft licence contains the
31 obligations relating to Sydney Water's responsibilities to
32 its customers and consumers. Sydney Water's operating
33 licence also contains its customer contract.
34
35 The following changes are proposed to the customer
36 contract: the ability for Sydney Water to charge a late
37 payment fee. However, the late fees are subject to review
38 by IPART. This will determine the fees and other
39 conditions of payment, including that there will be no late
40 fees for customers experiencing financial hardship.
41
42 There have also been some changes to rebates for
43 customers for service interruptions and failures. These
44 are minimum charges and they relate to increasing the
45 minimum rebate for CPI and allow for lump-sum payments to
46 customers after recurring service failure and interruptions
47 to be paid up front rather than the full quarterly period.

1
2 In this part of the discussion we are interested in
3 obtaining stakeholder views on the provision for late
4 payment fees which have been included in the customer
5 contract, what conditions should apply to those late
6 payment fees, what are your views on rebates and recurring
7 service failures and interruptions, and are there any other
8 issues that you want to raise relating to both the specific
9 obligations in the licence and also within the customer
10 contract itself.
11
12 THE CHAIRMAN: Thank you very much, Kaye. I will call
13 upon Sydney Water and then Janine from EWON.
14
15 MS GAMBLE: Thanks very much. IPART and the stakeholders
16 have raised some really good issues for us to talk about.
17 We are happy to accept most of IPART's proposed terms.
18 We are seeking a few additional changes or re-seeking some
19 of our proposals that weren't adopted by IPART, where they
20 will.
21
22 We want to clarify provisions if there is any
23 ambiguity about Sydney Water's or customers'
24 responsibilities and obligations. We want you to allow us
25 to simplify our rebate system. We want you to allow
26 Sydney Water more flexibility to change our practice on how
27 we provide rebates during the next five years, subject to
28 further research and consideration of any flow-on impacts,
29 and we want to allow ourselves to avoid significant
30 expenditure to upgrade our systems where we don't think
31 this will provide any significant additional benefit to
32 customers.
33
34 Specifically, we are seeking additional changes to the
35 draft customer contract to have a flat-rate payment system
36 only for single-event rebates; remove the requirement for
37 rebates to be paid automatically; clarify provisions around
38 notice of disconnection or restriction of supply and the
39 actual process of disconnection or restriction of supply;
40 and correct some inaccuracies in the terms and definitions.
41
42 In terms of late fees, in our July 2014 submission we
43 sought a change to the contract to allow us the ability to
44 apply a late payment fee to overdue balances at some point
45 during the term of the next operating licence. We would
46 include this as part of the pricing submission to IPART
47 which is due on June 30 this year.

1
2 We note in our submission that this fee would need to
3 be determined by IPART and Sydney Water would not extend
4 such fees to customers on alternative payment arrangements
5 and that it puts people into hardship.
6
7 IPART has proposed more specific wording in response
8 to stakeholders' concerns. This clarifies, as a
9 contractual obligation, that any late payment fee would be
10 subject to review by IPART, which would cover the maximum
11 amount of the fee and the terms and conditions under which
12 it would apply.
13
14 The draft clause also includes a specific commitment
15 that the fee would not be charged if a customer had already
16 entered into an alternative payment arrangement or was
17 receiving payment assistance from Sydney Water.
18 Sydney Water is happy to accept IPART's more specific
19 requirement, which is consistent with our original
20 intention for the proposed change.
21
22 In terms of processes for disconnection and
23 restriction of supply for non-payment, we are providing new
24 wording to clarify the notices that we will provide to
25 customers and the actual process for disconnection or
26 restriction of supply for non-payment. This clearly states
27 that we will deal with residential and non-residential
28 customers. The only change to our existing practice is
29 that we will not provide non-residential customers with a
30 fourth point of contact to disconnection.
31
32 This is in line with the standard commercial practice.
33 We have retained the obligation for seven days between
34 providing the disconnection notice and the beginning of
35 proceedings to disconnect or restrict supply.
36
37 Finally, in relation to rebates, our view is that the
38 preliminary objective of rebates is to compensate customers
39 for inconvenience caused by a service interruption or
40 fault, not act as a penalty mechanism for Sydney Water. It
41 is the role of our system operating standards to ensure
42 Sydney Water is providing an adequate minimum level of
43 service to customers.
44
45 The events for which we provide rebates do not exactly
46 correlate with our operating licence's system performance
47 standards. For example, we provide a rebate for all

1 interruptions to supply of water and waste water services
2 that are no longer than five hours, planned and unplanned.
3 We also provide rebates whether or not the fault is our
4 fault.
5
6 There is no standard practice across water utilities
7 in Australia for providing rebates for service faults or
8 interruptions. We also have no legislative obligation to
9 provide these rebates. We expect IPART's decision not to
10 remove non-residential rebates as part of this review.
11 We accept that this requires further consideration of
12 potential impacts on the spectrum of non-residential
13 customers.
14
15 However, we will submit our proposal to pay rebates
16 for single events as a flat rate only. We believe that
17 removing the option to pay 10 per cent of the service
18 charge would simplify our rebate system, making it easier
19 for customers to understand, resulting in a nil or small
20 impact on the majority of customers who receive rebates,
21 allowing Sydney Water to make significant savings in
22 developing our new billing system and those savings would
23 be passed on to customers.
24
25 We also restate our request to remove references to
26 automatic rebates. This contract would still clearly
27 indicate that all customers are entitled to a rebate. This
28 change will allow Sydney Water to explore and potentially
29 implement a different system of paying rebates before 2020.
30 For example, rebates could be provided upon application
31 rather than automatically included in bills. We would not
32 change this practice before updating our research.
33
34 Currently, many customers receive rebates for events
35 that they have not noticed, just interruptions to their
36 supply during business hours or overnight. Our past
37 research also consistently demonstrates that most customers
38 who receive rebates are not aware that they have received a
39 rebate itself in their bill.
40
41 There is no universal consistency between utilities,
42 as I mentioned before, between what rebates are paid
43 automatically and what rebates are not. Some utilities do
44 not pay rebates at all. Others only provide compensation
45 for property damage or only provide a rebate if
46 inconvenience or damage can be demonstrated. Thank you.
47

1 THE CHAIRMAN: Thank you, Sandra.
2
3 MS YOUNG: Thanks for the opportunity to make some
4 comments about the review of Sydney Water's operating
5 licence from the perspective of the customer contract.
6 I have made some dot points here. I will be pretty brief
7 and then I would be happy to answering questions.
8
9 With respect to late payment fees, we do not disagree
10 with them. Late payments fees are a good mechanism to get
11 people to pay on time, depending on their circumstances.
12 I note the reference to hardship, but I would certainly
13 encourage a very broad look being given to hardship given
14 that we know it could be someone in long-term hardship.
15
16 There is no question that people can find themselves
17 unexpectedly in that situation just through one crisis.
18 You may have the experience of someone who has never paid
19 late but, all of a sudden, they have not paid a bill.
20 Adding that late payment fee is actually probably upsetting
21 their pride as much as their wallet. The reason may be
22 that there has been a death in the family, or something
23 like that, so they are in short-term hardship and are
24 really looking for help and a bit of assistance at that
25 point in time to make sure it does not turn into long-term
26 hardship. That is our view with respect to late payment
27 fees.
28
29 I would like to touch briefly on payment assistance
30 for private tenants, which is a new addition to the
31 customer contract. We support the provision of assistance
32 for tenants who pay their water usage charges but are not
33 eligible for the full range of payment assistance measures
34 because of their status as a non-account holder. However,
35 it appears that tenants can access the full range of payment
36 assistance including hardship programs and payment
37 plans. We understand that that is not consistent with
38 Sydney Water's policy, so it should be very clear about
39 what they can apply for and maybe also what is outside of
40 their remit.
41
42 I am going to talk about the service rebates. We
43 welcome the CPI increase. We do not really particularly
44 have comments on changes to the way that rebates for
45 recurring service failures are paid. When we get
46 complaints from consumers from time to time who have
47 experienced a number of outages, I guess they just do not

1 want the outages and are not so much fussed about whose
2 fault it may be. They are looking for an explanation about
3 that. Those are our comments with respect to that.
4
5 I would like to talk about the notice requirements and
6 restrictions for disconnection of supply. While our
7 customer contract no longer requires a disconnection notice
8 to state up-front that customers may pay their bill in
9 seven days, instead the disconnection notice requests
10 immediate payment. The only issue with that is that there
11 are a whole range of same-day lenders now who charge
12 exorbitant interest rates.
13
14 If consumers are in hardship and they get the letter
15 saying "Immediate payment", there are not many options for
16 them. They might end up at a payday lender rather than
17 taking some time to seek financial assistance from a
18 financial counsellor or obtaining guidance or going off to
19 a relative who might lend them some money. Payday lending
20 is a cycle that people get into and then they just cannot
21 get out of. If there can be that seven-day warning, it
22 gives people the opportunity of having some time to pay
23 their bill on a reasonable basis and be able to ask for
24 assistance rather than going down the wrong track.
25
26 The last thing we would like to comment on is the
27 requirement for personal contact before restriction and
28 disconnection. We support Sydney Water's flexible approach
29 to ensuring that customers are successfully contacted in
30 person prior to a restriction or disconnection. We
31 consider that Sydney Water's policy is a step towards best
32 endeavours, which is the approach taken in the energy
33 industry. We really support that you keep going along with
34 that process.
35
36 THE CHAIRMAN: Thanks very much, Janine. Are there any
37 other questions or comments on the contract? Yes, Oliver.
38
39 MR DERUM: Oliver Derum from the Public Interest Advocacy
40 Centre. We do not have a problem with late fees, with the
41 proviso, firstly, that they are not being charged on
42 hardship customers, and, secondly, as long as the fee is
43 only recovering the costs that Sydney Water incurs from the
44 late payment rather than being a penalty. I think we have
45 seen a case in banking about these penalties. That is a
46 comment.
47

1 The question I have is: I appreciate that it is
2 proposed that the fee would be the subject of a review from
3 IPART, but is there an approximate ballpark figure you
4 could give for what it might be at this stage?
5
6 MS MURAS: I can respond to that. Our intention is
7 definitely to have it as a cost recovery fee not a penalty
8 on the customer. We would have to demonstrate what those
9 costs are to IPART as part of the review and setting the
10 charge. Ball park figure, it would be under \$5. It is not
11 meant to be punitive. It is meant to be an encouragement
12 mechanism to encourage customers who can pay to pay their
13 bill by the due date.
14
15 MS GAMBLE: And indeed for those customers who do pay
16 on time, for them not to incur the extra cost that we incur
17 when people pay their bills late.
18
19 MS MURAS: True.
20
21 THE CHAIRMAN: Thank you, Oliver. Fiona?
22
23 MS FLEMING: I would like to make a couple of points and
24 I guess this goes back to my earlier comments around impact
25 on business.
26
27 In terms of rebates, while I do appreciate what you
28 said earlier about some customers getting rebates and that
29 they do not even notice an interruption in supply, my
30 members obviously do notice an interruption in supply. We
31 would like consideration of the impact on a business for an
32 interruption to supply and for that to be reflected in some
33 way going forward because it does have a major impact on
34 non-residential customers in terms of their ability to
35 continue manufacturing and all the costs that go with that.
36 I would just like to put that point up.
37
38 The second point I would like to raise is around
39 unplanned interruptions and the reference to being able to
40 get information from a 24-hour telephone service about what
41 is going to happen with supply. I would suggest that, for
42 a large commercial customer - non-residential - a telephone
43 service is not acceptable. Those customers need better
44 information about when the supply is going to be back so
45 they can actually start planning. If they have had to shut
46 down operations, send people home, potentially alert
47 retailers or other customers as to when supply will

1 reconnect, relying on a telephone service is really not
2 acceptable. We would like to see, I guess, something more
3 proactive for large customers where there is a bigger
4 impact on their business.
5
6 THE CHAIRMAN: Thanks, Fiona. Anybody else from the
7 floor? Any more questions or comments? Matt?
8
9 MR EDGERTON: I have a question of Sydney Water. You are
10 proposing a flat fee for rebates and you are also proposing
11 removal of automatic payment of rebates. In terms of a
12 flat fee, that would mean that some customers, particularly
13 large customers, would receive less in rebates. Requiring
14 customers to apply for rebates might also impose an
15 inconvenience on them.
16
17 In aggregate, it also means Sydney Water is paying
18 less in rebates. As well as compensating customers less,
19 it may also have some potentially perverse incentives on
20 your performance. Given those potential concerns, can you
21 tell us a bit more about what the arguments for those
22 changes would be?
23
24 MS GAMBLE: If we are paying less in rebates, potentially
25 customers will be paying less for water in the first place.
26 There may be a short-term gain by Sydney Water but, in the
27 longer term, it makes much more sense for customers who are
28 ultimately funding the rebates. So it does in the short
29 term, but, in the longer term, it actually ends up as lower
30 prices for the customers. The rebates are not coming
31 necessarily from thin air; they are being funded from
32 somewhere.
33
34 I will pass over to Heidi in terms of --
35
36 MS MURAS: For the reasoning for our proposal?
37
38 MS GAMBLE: Yes.
39
40 MS MURAS: In terms of how much less we would be paying
41 in rebates for the single event, it is actually a very small
42 amount. Roughly, Sydney Water pays in the high sort of
43 400,000s each year in the amount of rebates. It is going
44 towards half a million dollars a year. For single events
45 it is about half of those, so it is about 2.5. To
46 implement our flat rate payment system only instead of flat
47 rate or 10 per cent of service charge, based on last year's

1 figures we would pay about \$195,000 less.
2
3 It is \$195,000 out of \$2.5 million, so it will not
4 actually result in a huge reduction in the amount of money
5 that we pay for single event rebates. Why we want to do it
6 is to make a simple system. It would be easier to
7 communicate to customer. We have a new provision now in
8 the licence that we have to give information to customers
9 each year about how they can apply for rebates. It makes
10 that simple and it aligns more with how other utilities pay
11 rebates.
12
13 Like Sandra said before, not all utilities do pay
14 rebates for service interruptions. Those who do pay,
15 usually have a flat rate of payment system, so that is what
16 we are suggesting. I cannot find one other utility that
17 pays a rebate based on percentage of service charge. A few
18 of them pay on percentage of usage. They give allotment of
19 water volume; if you have a service interruption, you get
20 50 kilolitres on your next bill. That sort of makes sense
21 because the person who has been inconvenienced by the
22 interruption then gets an additional volume to use next
23 time around.
24
25 I am not sure where the service charge percentage
26 came from. It is probably one of those annals of history
27 examples, but it is confusing. It will also allow us to
28 implement a much simpler billing system next time around.
29
30 Sydney Water is in the middle of a very large project
31 to update its billing system which is currently 27 years
32 old. We are proposing to implement a new billing system
33 from 2018. If we do not have that complicated method of
34 working out 10 per cent of a service charge for each of
35 those different five rebates, we can save about \$1 million
36 in developing the new building system. That is our
37 justification and rationale for seeking that particular
38 change.
39
40 MR EDGERTON: Thank you.
41
42 THE CHAIRMAN: Thank you, Heidi. Are there any other
43 questions or comments on the customer contract?
44
45 MS MURAS: I could respond to a few comments that Janine
46 made. Thanks for all your comments today, Janine.
47

1 I wanted to cover cost recovery for the late fee, but
2 Oliver brought that up. Thank you.
3
4 I also wanted to clarify that the payment assistance
5 to private tenants is not meant to be a change in our
6 practice. That was a request that was made throughout the
7 licence review process; namely, whether Sydney Water could
8 clarify what financial hardship provisions are available to
9 tenants versus residential customers who are not tenants.
10 As far as we are aware, the proposed wording does reflect
11 what is available to tenants and what is not.
12
13 We have suggested some more sort of minor drafting
14 changes in our submission that will go to IPART next week
15 and that might, I think, clarify the issue. I think you
16 were saying how it suggests that all obligations are
17 available to tenants and I think that is a definitional
18 problem. The way that payment assistance is defined in the
19 draft licence does not quite match how we see it acting in
20 practice either, so we are addressing that in our
21 submission next week.
22
23 I am sorry, I am just trying to remember what you were
24 saying.
25
26 MR YOUNG: Seven days for a disconnection was a point that
27 was made.
28
29 MS MURAS: Yes, that's right, and I think you are talking
30 about the seven days notice when a customer receives the
31 notice for disconnection. I wanted to emphasise that that
32 is not the first time that the customer has been requested
33 to pay the bill. They get their bill with 21 days to pay.
34 Then we send them a reminder notice that says, "Please pay
35 immediately."
36
37 Our past experience has shown that if you put another
38 date on that, it can actually then lead to more confusion
39 from the customer about when they do need to pay it. The
40 due date of the bill has already passed once they receive
41 the reminder notice, so that is our intention in saying,
42 "Please pay immediately"; it is so that the customer knows
43 that the payment is overdue already at that point in time.
44
45 I think they were the only two things I wanted to
46 address. Thank you.
47

1 MS YOUNG: It might be that customers in that situation
2 are used to getting that reminder notice. That might be
3 the real trigger they are waiting on just because they are
4 balancing other bills.
5
6 MS MURAS: Point taken, yes.
7
8 MS YOUNG: If there is a leaflet or something in there
9 about your assistance program, then that would probably
10 give someone the opportunity to contact you.
11
12 THE CHAIRMAN: Thank you. Is there anything else on the
13 customer contract? No? Thank you very much. Thanks
14 Janine.
15
16 AGENDA ITEM 7 - ENVIRONMENT
17
18 THE CHAIRMAN: Let us move on to item 7 on the agenda, the
19 environment, and Jessica will make some opening remarks.
20
21 MS HANNA: The environmental chapter of the draft
22 operating licence has undergone minimal changes. In the
23 draft operating licence, we have retained the requirement
24 to maintain a certified environmental management system
25 consistent with ISO14001.
26
27 Environmental reporting is based on the outputs of the
28 EMS with an annual compliance and performance report to be
29 made publicly available. This replaces the five-year
30 environmental management plan and the annual review.
31
32 We also note that apart from the operating licence,
33 other instruments and agencies regulate the environmental
34 performance of Sydney Water and in particular the EPA.
35 Under its Act, Sydney Water is required to report directly
36 to the EPA on their special objectives.
37
38 For the discussion points for today, IPART seeks views
39 on:
40 Should the requirement for the five-year environmental
41 management plan be removed;
42 What are your views on the proposed reporting on
43 outputs of the environmental management system; and
44 Any other comments.
45
46 Thank you, Peter.
47

1 THE CHAIRMAN: Thank you, Jessica. Any comments?
2 Kevin? Sandra?
3
4 MS GAMBLE: Sydney Water has a very mature and robust
5 environmental management system that is accredited.
6 Through that, we have achieved a very good record on
7 environmental performance, certainly a very much improved
8 environmental performance over the last 15 years - well, it
9 has been part of our improvement over the past 15 years.
10
11 It is sensible, we believe, to use that environmental
12 management system and the reporting mechanisms within it
13 to report on our environmental plans rather than creating a
14 stand-alone plan and then reporting against it. For that
15 reason we do support IPART's replacement of the five-year
16 environmental plan with reporting against our environmental
17 management system or our EMS. The plan has been a good
18 instrument for driving performance and accountability, but
19 now it is appropriate to replace this and make things more
20 streamlined with reporting lead to our EMS.
21
22 In the recent past, we have received very little
23 feedback on the annual report against our five-year
24 environmental plan, so we think the new approach is much
25 better value for us and for customers.
26
27 We understand that our customers and stakeholders
28 expect transparent information about our environmental
29 performance. This was made clear in our discussions with
30 the Customer Council - our own Customer Council - about
31 this potential change.
32
33 We will continue our public reporting requirements on
34 environmental performance including our continued
35 reporting against IPART and national water indicators,
36 environmental indicators - our special objective to report,
37 which is a requirement under our Act.
38
39 The only thing we do not accept is IPART's changed
40 reporting timeline for environmental performance. This is
41 because we do not get the data in time to make the change.
42 For example, invoices from suppliers and third parties
43 provide some of that information. We would request that
44 the time frame for the EMS and environmental indicator
45 reporting remain at 1 October rather than 1 September.
46 Thank you.
47

1 THE CHAIRMAN: Thank you, Sandra. Frank?
2
3 MR GAROFALOW: Thank you again. The EPA supports the
4 removal of the environmental management plan as it will
5 have no effect on Sydney Water's other environmental
6 reporting requirements to the EPA such as Sydney Water's
7 special objectives report for EPA review, and to the
8 compliance reporting on the environmental protection
9 licences and the sewage treatment system impact monitoring
10 program report that is required by Sydney Water to provide
11 the EPA.
12
13 In relation to environmental management systems, it is
14 worth noting that the EPA does not require EMSs under its
15 licensing. The EPA considers that EMSs are a business
16 decision for the licensee and that we do not have a role in
17 endorsing or approving the environmental management
18 systems that a licensee or a business may have. However,
19 under the EPA's new risk-based licensing system, as part of
20 the risk assessment, the EPA takes into account a licensee's
21 environmental management performance. This includes any
22 environmental management systems and practices that a
23 licensee may have in place to control or mitigate
24 environmental risks.
25
26 Lastly, as a slight indulgence, I wanted to say for
27 those who are concerned about Sydney Water's environmental
28 performance, the EPA has commenced, as of today, a review.
29 We also undertake five-year reviews similar to IPART. The
30 five-year review of the environmental protection licences
31 is to be concluded on 1 July of this year.
32
33 As of today, we have commenced a request for
34 submissions on the 23 environment protection licences that
35 Sydney Water holds with the Environment Protection
36 Authority. We are seeking submissions including from IPART
37 or from any others over the next month if there are issues
38 that anyone wants to raise in relation to environment
39 protection licences.
40
41 THE CHAIRMAN: Thank you very much, Frank. Are there any
42 questions or comments on the environment from the floor?
43
44 MS MURAS: I have one thing to say.
45
46 THE CHAIRMAN: Yes, Heidi.
47

1 MS MURAS: I don't think it is an indulgence, Frank,
2 because there were a few issues raised in the public review
3 process that are more appropriately addressed through EPLs
4 I think it is actually a really good thing to note that the
5 operating licence is one regulatory instrument on Sydney
6 Water and now environmental performance is actually
7 regulated through those other instruments and the
8 regulatory body is the EPA - is well raised.
9
10 THE CHAIRMAN: Are there any other questions or
11 comments on the environment?
12
13 AGENDA ITEM 8 - OTHER ISSUES
14
15 THE CHAIRMAN: Let us move on to the final item on the
16 agenda, number 8, "Other issues". I will ask Kaye to
17 introduce it.
18
19 DR POWER: The final section of today's agenda allows
20 stakeholders to raise any other issues which we have not
21 addressed or any other issues and points you feel were not
22 adequately addressed in the previous discussions. We have
23 provided some examples to help discussion, but the
24 discussion is not limited to those. Those examples are:
25
26 Sydney Water's interaction with WICA licensees;
27 Interaction between the licence and IPART's price
28 determination;
29 The auditing function that IPART carries out;
30 Memorandums of understanding that are in the operating
31 licence already, so those with the EPA, NSW Health and the
32 Office of Water; and
33 Any other issues.
34
35 THE CHAIRMAN: Is there anything else that people would
36 like to raise?
37
38 Are there any of those issues that Sydney Water would
39 like to comment on, or any other issues for that matter?
40
41 MS GAMBLE: No, thank you.
42
43 AGENDA ITEM 9 - CLOSING REMARKS
44
45 THE CHAIRMAN: So we finish early and I would like to
46 thank you very much on behalf of IPART for today's
47 proceedings. I think it has been an excellent forum and a

1 very good discussion. It has been of great benefit to the
2 Tribunal to hear your views and arguments and we appreciate
3 very much your efforts and contributions.

4
5 As I mentioned earlier, a transcript of today's
6 proceedings will be available on our website in a few days.

7
8 As also mentioned before, I think, written submissions
9 to the draft licensing package are due by 7 April 2015.
10 Please ensure they are submitted by then as late
11 submissions may not be accepted. We will consider these
12 submissions together with what was said today in finalising
13 our draft licensing package.

14
15 Our final recommendations for the new operating
16 licence will be sent to the Minister in early May and we
17 expect Sydney Water's new operating licence will then take
18 effect from 1 July 2015.

19
20 Once again thank you very much for coming and have a
21 good afternoon.

22
23 AT 1.50PM, THE TRIBUNAL WAS ADJOURNED
ACCORDINGLY

24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47