IPART Water NSW Operating Licence Review

October 2023





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13 October 2023

Reference: jb:mm 231013 Enquiries: Ms J Bennett: 0428 690 935

WaterNSW Operating Licence Review Independent Pricing and Regulatory Tribunal PO Box K35 Haymarket Post Shop Sydney NSW 1240

Dear Tribunal members,

Re: WaterNSW Operating Licence Review

Joint Organisations (JOs) were proclaimed in May 2018 under the NSW Local Government Act 1993. The Central NSW Joint Organisation (CNSWJO) represents over 177,000 people covering an area of more than 51,000sq kms comprising the eleven Local Government Areas of Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Oberon, Orange, Parkes and Weddin.

Tasked with intergovernmental cooperation, leadership and prioritisation, JOs have consulted with their stakeholders to identify key strategic regional priorities. The CNSWJO Strategic Plan can be found here: Strategic Plan & Regional Priorities - Central Joint Organisation (nsw.gov.au)

Quality, secure water for critical human need, to support the growth and prosperity of our towns, for productive use and to sustain the environment is of the highest priority for the CNSWJO Board.

Most of our member Councils operate Local Water Utilities (LWUs) in non-declared catchments. Two of our members, Lithgow and Oberon rely on the WaterNSW operated Fish River Water Supply Scheme (FRWSS) for water for domestic and industrial use. The quality, security and affordability of town water for the communities of Lithgow and Oberon is therefore of utmost importance to the CNSWJO Board in the context of this review.

Cutting to the heart of the matter Councils on the FRWSS pay a considerable amount under their Licence agreements with WaterNSW. At the last pricing determination a 80:20 split was endorsed with prices increasing by 30-40%. This is on average three times more costly than LWUs managed by Councils in the region. Councils in this region lose confidence in IPART processes when the IPART annual rate cap is not cost reflective of IPART determinations for increased costs for other entities.

This response is informed by policy developed in region based on lived experience as well as discussion with member councils regarding this review, notably Lithgow and Oberon. It should be noted that while it is perfectly reasonable in some of the response below to expect the same or similar levels of performance and transparency as Councils must afford the communities – or customers around the provision of services including drinking water, this should not come at increased costs. If anything, costs should go down based on a benchmarking exercise with other water utilities in NSW and the notion that quality secure water is a right, not a commodity.

Where our member Councils may provide separate submissions, this response addresses specific questions raised in the Issues Paper as detailed below.

Chapter 3 - Water planning and management

10. Are the current Licence requirements to calculate System Yield in the Declared Catchment Areas adequate? If not, what requirements are appropriate?

Response

The CNSWJO notes IPARTs preliminary position that the current system yield calculations that requires WaterNSW to:

- recalculate System Yield in a declared catchment area following specified events such as the conclusion of droughts, or modifications/changes to the operating rules of the Catchment Infrastructure Works, and more.
- advise the Minister of any changes to the System Yield or if it considers that future demand may exceed the supply yield including when this might occur.

are fit-for-purpose and should remain in the Licence.

Oberon and Lithgow Councils have long reported issues with obtaining advice about the secure yield available to them. Lithgow Council reports that while its WaterNSW allocation is 1778 ML/per year this is either over allocated or not correctly calculated as it is never able to get its full allocation. Oberon has been advised to fund other water sources to ensure their water security.

Meanwhile Councils pay a considerable amount under their Licence agreements with WaterNSW for this allocation with Lithgow paying in excess of \$160K per month to not get the amount they are licensed to receive. At the last pricing determination an 80:20 split was endorsed with prices increasing by 30-40%.

Lithgow currently pays over \$2M per year for water to use a system that has so many issues and Council has to increase its prices for water to its customers to match that.

Secure Yield is a "must have" for LWUs regulated by DPE Water under its new Regulatory and Assurance Framework. It is imperative that the FRWSS provides secure yield advice to both Oberon and Lithgow so they can plan effectively and in line with their obligations to other regulators.

Reporting to the Minister is not enough and enables a culture of "corporate secrecy" which is remarkably unhelpful to communities trying to ensure water supply. The FRWSS must provide all the advice Councils need to inform their water planning, including secure yield.

12. Do you agree with transitioning the existing requirements in the current Licence for WaterNSW to maintain a Water Conservation Plan that is consistent with the NSW Water Efficiency Framework, NSW Water Strategy and the Greater Sydney Water Strategy?

Response

The CNSWJO agrees with IPARTs preliminary position that the Licence should require WaterNSW to develop and implement a new 5-year water conservation plan that is consistent with the NSW Water Strategy, the Greater Sydney Water Strategy and the NSW Water Efficiency Framework.

Council LWUs across regional NSW are committed to saving water and improving drought resilience through the implementation of actions in the NSW Water Efficiency Framework. CNSWJO LWUs are currently undertaking a program of active leak detection to identify and repair leaking pipes across Council's water networks. This requires Councils to report on water and energy saved. It is anticipated that as part of its Water Conservation Plan, WaterNSW is identifying and repairing water leakage along the 236 kilometres of pipeline that forms part of the Fish River Water Supply Scheme that supplies water from Oberon Dam and Duckmaloi Weir to Oberon and Lithgow. This is not currently transparent to customers on the FRWSS.

However, this region is concerned that this work will come at increased costs to members and implores IPART to include an efficiency gain reduction in costs for this work rather than increased costs.

13. Is there anything else that WaterNSW's licence should authorise or require in relation to water conservation?

Response

As detailed above it is suggested that WaterNSW should be required to commit to an Asset Management Improvement program under its Licence that includes active leak detection to ensure ongoing monitoring and repair of its infrastructure to reduce water loss. Under Integrated Planning and Reporting Councils must manage their assets in line with ISO 55000. This is a reasonable expectation of WaterNSW operations.

14. Do you agree that planning and responding to flood emergencies is adequately regulated? If not, should we consider requiring WaterNSW to undertake any additional flood planning and emergency response activities?

Response

Where the communities of Parkes, Forbes and Condobolin have been heavily affected by flooding in the Lachlan River Valley over recent years including major flooding in November 2022, management of the Wyangala Dam by WaterNSW is a significant and ongoing issue for these

communities. This is particularly the case as the State of the Climate Report 2022 highlights the increased pace and intensity of climate extremes including periods of intense heavy rainfall.

The mayors of communities along the Lachlan were effusive in their praise for WaterNSW in their management of Wyangala Dam through the flood crisis. Spills from Wyangala Dam peaked at a record rate of 230,000ML a day, well above the previous record of 205,000ML set in 1990.

However, it is clear from the Business Case for raising the Wyangala Dam Wall that the social and economic costs of flooding and the management of the Lachlan catchment are poorly calculated and therefore the investments that are required to assure better management are not in place.

This region is not convinced that the management of WaterNSW dams is sufficiently alive to the impacts of climate change including for more intense and frequent flood events as well as longer and hotter droughts. This calls for very different management of water sources.

Having witnessed the failure of the management of Wyangala to secure water for communities in the west of the Lachlan in the Millenium Drought it is pleasing to see the improvements that have been made – however there needs to be a compete rethink on the value of water for human consumption and the social and economic impacts of flooding in the forward planning for WaterNSW assets.

The first step is an open and transparent strategic process codesigned with the communities on Central NSW.

15. Should the Licence authorise WaterNSW to undertake flood mitigation and management in all parts of NSW including the Sydney catchment area? If so, are there any terms and conditions that are appropriate for this?

Response

Yes. It's also important to plan effectively for this work – please see the advice above at 14.

Chapter 4 - Climate risk readiness

19. Should the objectives in the Licence be amended to explicitly refer to a climate risk management program?

Response

The CNSWJO agrees with IPARTs preliminary position to require WaterNSW to develop and maintain a climate-related risk management program consistent with the Climate Risk Ready NSW Guide, including identifying priority risks and mitigative actions. It is critical that a state-owned water corporation with obligations to provide domestic water and flood mitigation services to communities is applying the same level of rigor to climate risk readiness as is expected of State Agencies and Councils. Further, a mechanism for greater transparency and accountability around this is supported.

Please see advice throughout on concerns regarding costs and the need to codesign this work with stakeholders.

21. Should the Licence require WaterNSW to include climate risks in their operations, water quality and asset management risk assessments? If so, should WaterNSW be made to report on its implementation of risk management measures?

Response

Yes. See response to question 20 above. For the communities of Lithgow and Oberon that rely on the WaterNSW managed Fish River Water Supply System for domestic water, WaterNSW should absolutely be required to include climate risks in their water quality and asset management risk assessments and be made to report on it. Highly regulated Council owned and managed LWUs are required to include climate risks in their water quality and asset management risk assessments, its only appropriate that the same is applied to WaterNSW.

22. Should the Licence require WaterNSW to undertake climate change risk assessments consistent with ISO 14091:2021 Adaptation to climate change —Guidelines on vulnerability, impacts and risk assessment?

Response

Yes, with the provisos around costs and codesign.

23. Should WaterNSW be required to report on its progress to Net Zero?

Response

Yes, with the provisos around costs and codesign. The CNSWJO supports the IPART position that there would be benefits in terms of public accountability and gaining trust in placing an obligation on WaterNSW to publish its progress towards Net Zero.

Chapter 5 - Performance standards

25. Are the current CSR performance standards still relevant to WaterNSW's operations?

Response

WaterNSW should have the same reporting requirements as local water utilities regarding their performance. This is a good fit with ISO 55000.

26. Should we explore the inclusion of additional performance standards for CSR water? If so, what types of performance standards (e.g. water delivery or water quality) should we include?

Response

The performance on breakdowns and the timeframe for repairs should certainly be a consideration in the license and the requirements for water delivery. The type of CSR's should refer to the

reporting requirements of DPE Water that utilities are required to report on yearly as a starting point.

27. What performance standards should apply to water delivery, water quality and service interruptions?

Response

The performance standards of water delivery should be created and relate to timing and availability of supply and the volume available. WaterNSW have volume-based drought restrictions, and this can reduce the volumes available to each customer without any report on availability changes. The changes in volume or availability should also be reflected in the charging structure. Service Interruptions should also have performance standards for time and length of breakdown. WaterNSW should monitor and record the severity of service interruptions and a standard for repairs and return to service, even on a sliding scale base don priority customers or number of customers affected by the breakage.

28. Should the Licence prescribe any other performance standards in relation to Supplied Water? i.e. in addition to the required performance standards related to water delivery, water quality and service interruptions, minimum standards could be prescribed for timing of delivery and customer service.

Response

WaterNSW should have standards for other areas as other utilities do such as asset maintenance, asset repairs and ongoing planning such as strategic plans and linkages to legislation similar to what Council's have in the IP&R framework.

Chapter 6 - Water quality

30. Should WaterNSW be required to define and monitor Water Quality Performance targets in consultation with NSW Health and relevant stakeholders?

Response:

As detailed in section 6.1 of the Issues Paper, the quality of water supplied by WaterNSW can have a significant impact on the quality of the end product and the cost of treating and producing drinking water to standard. This means management of the quality of water supplied by WaterNSW can impact the quality and price of drinking water provided to end users.

This is certainly the case for both the Lithgow and Oberon communities whose Councils bear the costs of additional water treatment of water supplied through the FRWSS together with ongoing community dissatisfaction with poor water quality.

The financial costs associated with paying for water from the Fish River Scheme are significantly higher for water users. The community of Oberon currently pays three times more for its raw water from WaterNSW than any other LWU in the CNSWJO footprint.

The FRWSS currently supplies drinking water to Lithgow's rural villages on a continuous basis and to Lithgow town water under a supply arrangement based on the availability of water from other sources such as Farmers Creek and Clarence Water Transfer Scheme.

For Oberon, these challenges are exacerbated as the Fish River Water Supply Scheme is the only water source supporting Oberon's urban water needs. High levels of minerals in the water, along with infrastructure and technical capacity limitations have contributed to ongoing water quality challenges.

Raw water supplied to Lithgow and Oberon's water treatment plants sometimes contains high concentrations of manganese, particularly when the dam's water level is low. The manganese in the treated water is an aesthetic issue, causing discolouration of the water and staining of laundry, while the treated water continues to be safe to drink.

The Issues Paper also identifies shortcomings relating to fluoridation at the Duckmaloi water treatment plant identified by auditors in recent years. WaterNSW operates the Duckmaloi water filtration plant, in the FRWSS, to supply treated drinking water to parts of Lithgow.¹

Both Councils have reviewed operational procedures and optimised operations, to remove manganese at the plant and undertake continual flushing of pipe systems and cleaning of the reticulation system.²

Action 1.8 in the Draft Macquarie- Castlereagh Regional Water Strategy seeks to address this issue. This includes working with WaterNSW to improve the quality of raw water supplied to Oberon to reduce treatment difficulties and explore options to support the financial costs associated with sourcing water from the Fish River Scheme.³

Where currently there is no obligation for WaterNSW to comply with water quality performance targets for the quality of water it supplies to its bulk water customers under its existing licence, it is suggested that compliance with the Australia Drinking Water Guidelines should be mandated in the licence requiring WaterNSW to report against targets or measures. Current agreements with Councils say that WaterNSW will endeavour to meet the ADWGs not that they must. This leaves Council purchasing water from WaterNSW that is not fit for potable use on occasions and further incapable of treating this water further to bring up to standards. This would be a requirement from NSWHealth to treat and ensure treatment is completed to ADWG as WaterNSW have approximately 200 minor customers that utilize the water also.

31. Should conditions for FRWSS be separated out in the licence? For example, a separate condition for WQMS and reporting requirements.

Response:

See also the response to question 30.

¹ IPART Issues Paper - WaterNSW Operating Licence Review page 47

² Draft Macquarie-Castlereagh Regional Water Strategy Consultation Paper page 29.

³ Ibid page 64

As detailed in the Issues Paper, the current Licence requires WaterNSW to supply water in the declared catchment in accordance with a WQMS. This does not clearly distinguish the differences between WaterNSW's dual roles as a bulk water supplier and the operator of the FRWSS. Separating the obligations for FRWSS from the current obligation could help FRWSS customers better distinguish and understand the services they receive from WaterNSW.⁴

Given the water quality issues experienced by Lithgow and Oberon who source raw and potable water from the FRWSS as detailed above, conditions for the FRWSS for WQMS and reporting requirements should be separated out in the Licence.

The challenge for these communities is that they already pay a higher price for their raw water supplied by WaterNSW than that charged by the Central NSW region's Council LWUs. The cost of any additional mandated requirements of WaterNSW relating to water quality and reporting must not be borne by these customers.

Refer to Action 1.8 in the Draft Macquarie- Castlereagh Regional Water Strategy that includes WaterNSW working to improve the quality of raw water supplied to Oberon to reduce treatment difficulties and explore options to support the financial costs associated with sourcing water from the Fish River Scheme.⁵

32. Should the FRWSS be excluded from some obligations under the Licence where there is duplication with the WMA? If so, which Licence obligations or activities should be excluded?

Response

Where there is duplication it should be excluded but only if the intention of each clause and actions associated are the same. They should not be removed if the inference of these clauses causes different outcomes

33. Should the Licence include new conditions in relation to FRWSS?

Response

See response to questions 30 and 32 relating to water quality and question 10 relating to secure yield.

6.4 Local water utilities

- 34. Is there benefit in increasing WaterNSW's responsibilities to monitor and provide information on water source events and the quality of raw water supplied to LWUs?
- 35. Should the information request procedure be recast to require WNSW to provide information to the LWU when specified parameters have not been met?

⁴ Issues Paper – WaterNSW Licence Review Page 47

⁵ Draft Macquarie-Castlereagh Regional Water Strategy Consultation Paper page 64

- 36. How else could WaterNSW be more proactive in notifying LWUs of water source events or sharing of information?
- 37. How else could WaterNSW be more proactive in notifying LWUs of water source events or sharing of information?

Response

When a LWU conducts a risk assessment under the ADWG (as is expected of them), they are expected to consider risks generated from their catchments. Part of this is conducting a sanitary survey, whilst another aspect (and common action generated) is to have comms relationships with upstream stakeholders such that they are aware of any poor water quality that may flow their way.

With respect to the questions above, it is considered that it is necessary for WaterNSW to monitor and report on water quality routinely. Most importantly, there should be an obligation to inform stakeholders as soon as practicable of changes to water quality that may have a bearing on water treatment. The locations and parameters in question don't need to be complicated and indeed are probably already there (probably happens with Sydney Water) – regardless they should be confirmed through a consultation process (that includes NSW Health). Expect similar could (or does?) occur for flood risk.

It is recommended that this type of work be undertaken collaboratively with stakeholders in the region rather than through an IPART process.

Chapter 7 - WaterNSW's obligations to its customers

39. Is there any value in continuing to require WaterNSW to utilise CAGs to engage with different customer groups?

Response

The CAGs do not offer enough to those Councils who are party to them. They are more about information provision than an opportunity to codesign optimisation in the interest of customers. Indeed the concept of "customer" is anathema when considering the human right of quality secure drinking water. It would be preferrable if CAGs were setup with customers who have similar priorities or situations as opposed to geographically. There would be benefit to the CAG's including and utilizing an irrigators group and a utilities group as the systems may be different but the sourcing of water is much the same.

Chapter 8 - Access to information and data

40. Do you agree that WaterNSW is responsible for collecting, managing, and sharing data and information of water resource data on behalf of the NSW Government? If so, does this obligation extend beyond the data and information it uses for its own purposes.

Response

Central NSW Councils support the concept of "one source of truth." At the moment data is silo-ised with one entity being unaware that another is collecting similar data. A very worthy activity would be for all entities collecting data on water to share their information and look for gaps and duplication before embarking on taking on more data collection.

41. Is the Licence the right instrument to ensure all NSW data and information users can adequately access water resource data for the state?

Response

See above.

42. Does the current licence condition to agree to, and comply with, the Roles and Responsibilities agreement adequately obligate WaterNSW to provide access to information and data to all NSW data and information users?

Response

CNSWJO does not have sufficient information to hand to answer this question at this time.

43. Does the Roles and Responsibilities agreement require WaterNSW to provide sufficient access to information for other agencies (such as DPE and NRAR) to undertake their functions/statutory obligations?

Response

CNSWJO does not have sufficient information to hand to answer this question at this time.

44. Are there any reasons why an arrangement could not be made with WaterNSW to address the data quality and data access requirements of DPE and NRAR?

Response

CNSWJO is of the view that more data needs to be readily accessible to enable good decision making and strategy. It seems odd that LWUs are not included in the entities needing better data given they provide drinking water.

45 Do the current conditions provide DPE and NRAR the access to information and systems they need? What, if any changes are required?

Response

CNSWJO is of the view that more data needs to be readily accessible to enable good decision making and strategy. It seems odd that LWU are not included in the entities needing better data given they provide drinking water.

46. Should the Licence require WaterNSW to develop, operate and maintain IT systems, and provide support, to allow access to users of NSW water resource information and data? If so, what information and data should the system provide access to?

Response

Yes, water quality and secure yield are top of mind for LWUs in this region.

47. How else could WaterNSW facilitate the sharing of water resource information with the NSW water sector?

Response

Central NSW Councils support the concept of "one source of truth." At the moment data is silo-ised with one entity being unaware that another is collecting similar data. A very worthy activity would be for all entities collecting data on water to share their information and look for gaps and duplication before embarking on taking on more data collection.

48. Do the Data Sharing Agreement adequately address the needs of NRAR and DPE Water in relation to data accuracy, quality, continuity and timeliness of data provision?

Response

CNSWJO is of the view that more data needs to readily accessible to enable good decision making nd strategy. It seems odd that LWU are not included in the entities needing better data given they provide drinking water.

49. Should the Licence require WaterNSW to manage data consistently with any standards or guidelines? If so, which standards would you recommend and why? (NSW Government Standards for Data reporting, ISO 8000:1, ISO 9001:2015, or another standard or guideline not listed)

Response

Central NSW Councils support the concept of "one source of truth." At the moment data is silo-ised with one entity being unaware that another is collecting similar data. A very worthy activity would be for all entities collecting data on water to share their information and look for gaps and duplication before embarking on taking on more data collection.

Given the Regional Water Strategies are soon to be implemented there is an opportunity for WaterNSW to sit at the table with other agencies and local government to optimise what this might look like.

50. Are there any other options to improve data integrity and reliability we have not considered?

Response:

It is the view of the CNSWJO Board that the DNA of WaterNSW is to sell water. Indeed, in the past this region has been told by WaterNSW staff to "stay out of our dams" as the region developed it

national award winning Water Security Study in 2009. Further, Water NSW have provided advice in the past that they are "agnostic" as to who buys their water. "A dam is like a teller machine - you put your card in and you get water." The communities of Central NSW are profoundly religious about their water – we don't want to close hospitals. It got very close to this in the Millennium Drought where for example Orange had to alter its water restrictions substantially to cascade through various levels of water users – hospitals being the most important.

51. Should we amend the current Licence condition about accounting for water extracted or supplied to account for the needs of other agencies?

Response

There needs to be recognition of the primacy of human consumption in the Licence.

52. Is there other data that should be collected, and accuracy confirmed, at a greater frequency than is already required?

Response

Any data relevant to human consumption including water quality and secure yield needs inclusion. Thought also needs to happen on the timing of this advice.

Chapter 9 Fostering collaboration with other agencies

55. Are there any other parties that WaterNSW should enter into an MOU (or similar) with? If so, who are these parties and what should the Licence require for each of the parties? Alternatively or additionally, should the Licence directly impose conditions on WaterNSW related to other agencies?

Response

This region raises the concern that there should be collaboration with local government rather than treating them as customers in the system same as any other customer.

This approach completely undervalues the primacy of human consumption and needs a complete rethink.

56. How effective are the current mechanisms in achieving the required relationship and information sharing needs between WaterNSW and LWUs?

Response

This region raises the concern that there should be collaboration with local government rather than treating them as customers in the system same as any other customer.

This approach completely undervalues the primacy of human consumption and needs a complete rethink.

57. Should WaterNSW be required to manage its relationships with LWUs through an MOU, protocol or policy?

Response

This region raises the concern that there should be collaboration with local government rather than treating them as customers in the system same as any other customer.

This approach completely undervalues the primacy of human consumption and needs a complete rethink. This should be undertaken through codesign including with other agencies.

Chapter 10 - Management systems

- 58. Should the current Licence conditions relating to an EMS be changed? If so, what should these changes include?
- 59. Would adding a requirement under the licence requiring WaterNSW to develop, maintain and implement a QMS provide benefit to WaterNSW and/or its customers? If so, what are these benefits?

Response

This would absolutely benefit the customers as the quality of systems, assets, management and the assurance of quality products being delivered in the management of the infrastructure would be highly beneficial.

- 60. What other mechanisms could be included in the licence to improve WaterNSW's corporate record keeping.
- 61. Should the current Licence conditions relating to an AMS be changed?

Response

An AMS should be maintained and reported with asset renewals and asset maintenance completed.

62. Should WaterNSW be required to comply with the latest version of ISO 55001?

Response

Yes

Conclusion

The CNSWJO Board thank you for the opportunity to make comment on the matters raised in this Issues Paper particularly as they impact heavily on the communities of Lithgow and Oberon. Where this region continues to advocate for what it refers to as the 'missing piece' being effective inter-governmental collaboration at the regional level in strategic water planning and management, we see mutually beneficial outcomes for both WaterNSW and Local Government LWUs in this region from a more

collaborative working partnership. Whether this be through a MoU or some other protocol the opportunity exists to codesign a fit-for-purpose arrangement that will see an improved means of managing water for critical human need, particularly in times of shortages and for flood management. With predictions of a future with more frequent climate extremes, the sharing of data, the management of water quality issues, improved water efficiencies and the initiation of forums for better communication and collaboration, the better prepared we will be for managing the challenges ahead for regional communities. If these require changes to the licence arrangements it would be good to see these negotiated and implemented sooner rather than later.

If you require further information or clarification on comments in this submission, please do not hesitate to contact me on 0428 690 935.

Yours sincerely,

Jennifer Bennett

Executive Officer

Central NSW Joint Organisation (CNSWJO)

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