

# Review of the Operating Licence for Sydney Water

Submission to IPART's  
Water Licensing Issues Paper  
July 2014

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# Executive summary

Sydney Water welcomes the opportunity to share our views on our *Operating Licence 2010-2015* (Operating Licence). This submission presents our views on how we have performed against the Operating Licence and outlines our proposals for how the licence could be improved.

Sydney Water's strategic focus is to put customers at the heart of everything we do. We are proud of our strong performance against the current Operating Licence, which has seen us deliver outstanding value to our customers and the community. This includes providing excellent drinking water and wastewater services, as well as maintaining high standards of compliance across our other product and service offerings. Customer satisfaction with the overall quality of our service is the highest that it has been in five years.

At the same time we are becoming more efficient, and achieving the \$173 million in savings we committed to during the last pricing review. Affordability of utility bills matters to our customers, so we strive to keep water bills as low as possible, while continuing to deliver excellent value to our customers through high quality and reliable services. Affordability is a key driver underpinning most of the proposals outlined in this submission.

The next five years will be a dynamic period for Sydney Water and the water industry. We need to maintain our focus on keeping costs low and continue to build resilience to external challenges – be they environmental, economic or social. Another key focus will be positioning our organisation appropriately in a changing legislative context, in light of potential reforms to the planning system and contestability frameworks. We are committed to making every decision and every dollar count, and to creating new and better ways of doing things. Being innovative will enable us to be resilient in this changing environment, and lead the water industry towards better outcomes for our customers.

With this in mind, during this licence review we are seeking changes that will allow us to provide better value to customers and the community, minimise impacts on customer bills and align with our longer term goals for regulatory reform. In the future, we would like to work with IPART to create a regulatory framework that moves away from asset standards and input measures, and instead focuses on delivering outcomes that customers value, at an efficient cost. Such a framework should continue to provide safeguards to customers by defining minimum guaranteed levels of service, but also include financial incentives for Sydney Water to provide superior performance.

Specifically, our recommended changes for the Operating Licence will seek to:

- remove measures that are out-dated and / or too prescriptive
- remove or amend measures that do not deliver value to our customers and the community
- ensure licence conditions do not distort longer term outcomes for Sydney Water in an increasingly competitive market.

IPART's Issues Paper presents their preliminary views on the key areas of the current licence. Sydney Water's position on each of these areas is outlined throughout this submission and in Table 1 at the end of the Executive Summary.

We look forward to reading the views of our customers and stakeholders in their submissions to IPART's review, and to participating in the public hearing next year.

## Extending a management systems approach throughout the licence

This approach has been recommended by IPART and reflects recent changes to other utility licences. IPART is proposing new requirements for Sydney Water to have certified management systems for quality management, asset management and drinking water quality. We have had a requirement for a certified Environmental Management System in our licence since 2005.

Sydney Water supports this approach. It accords with the management assurance direction being pursued internally by Sydney Water and is a supporting step towards our long-term objective for more outcomes focused regulation (by moving away from unnecessary prescription in the licence and towards providing flexibility for the business).

Internal analysis indicates that implementing such management systems would not involve significant costs and is in line with good business practice. With regard to drinking water quality, the proposal will require minimal change to our internal processes, and we would still inform NSW Health of any change to how we manage our drinking water system.

## Infrastructure standards and response times

The current licence contains system performance standards for unplanned water interruptions, loss of pressure and wastewater overflows. IPART is seeking comment on whether the current standards are sufficient to ensure customers receive a suitable level of service consistent with their needs and expectations. As a long-term goal, we are exploring how these types of licence conditions could be adapted and strengthened to be better aligned with the full range of customer service outcomes and expectations, rather than focusing on one aspect (that is, the performance of our assets).

For this review, Sydney Water believes the current standards are sufficient and should be retained. Our operations are based on the optimisation of service, risk and cost outcomes. We have been tracking customer satisfaction with the way we manage our systems for a number of years. Our surveys show that customers rate our performance and approach to managing our assets highly. If there are concerns about our strong performance against the standards, this should be dealt with through the pricing review (efficiency process) or through an alternative, incentive-based regulatory system. Tightening the standards could reduce our scope to explore further efficiencies in the way we manage our systems in the future. These explorations could result in our performance moving closer to the current licence limits in order to minimise cost increases to bills. We will keep monitoring customer satisfaction on an ongoing basis; to identify areas for improvement and ensure how we manage our systems continues to meet customer needs and expectations.

We are seeking some minor changes to the compliance measures and definitions used for the standards. For example, making the definition of a water pressure failure consistent with our design practice, and allowing Sydney Water to request an exemption from IPART for atypical, unplanned events that occur during planned maintenance. System performance is also affected by external factors such as weather, population growth and urban development. The Operating Licence limits should allow for these external factors and events.

In order to minimise inconvenience to customers, we are seeking to adjust response times for Priority 5 (medium) leaks and breaks to the next working day, rather than within six hours. Currently, Sydney Water may be forced to turn off the water supply at times that can cause significant disruption for customers, such as in the middle of the night (causing noise) or during times of peak water demand. We estimate this proposed change would result in a minor increase in leakage overall (around 0.4% of our current leakage target). We are not seeking any changes to response times for Priority 6 (high) leaks and breaks. We would always respond to these events in the shortest possible time to address customer safety and environmental risks. Current response times for Priority 4 (low) leaks and breaks are also adequate. All response times would be more appropriately included as a performance indicator, rather than a standard in the licence itself. This is in line with current practice for other water utilities.

Our proposals will allow us to continue to provide services to customers at a level that they value, while providing scope to pursue opportunities to manage our systems more efficiently. We would do this where we believe there is an overall benefit to customers.

## Priority Sewerage Program (PSP)

PSP schemes provide existing but unsewered villages, identified as environmentally sensitive locations, with improved wastewater services. The program provides localised environmental benefits. Costs to deliver the last three schemes listed in the Operating Licence schedule (Yanderra, Nattai and Scotland Island) are estimated to be up to \$235,000 per lot. Under the current arrangement of making the schemes a requirement of Sydney Water's Operating Licence, the costs for PSP are borne by all Sydney Water wastewater customers for many years, through general wastewater bills. For example, delivering the schemes noted above could add around \$5 to the annual bill of every wastewater customer for the next 78 years.

Sydney Water will meet all our current licence requirements to deliver schemes with existing delivery timeframes, and commence planning for the scheme at Yanderra by June 2015. However, we support IPART's suggestion that the next Operating Licence should not contain any obligations regarding PSP schemes. The licence is meant to reflect minimum standards for servicing our broad customer base. It should not be used as a vehicle to deliver specific, localised programs.

There are other mechanisms available to Government to deliver this program, including market based contestable mechanisms. We are happy to work with Government to explore alternative delivery options.

## Water efficiency

As a business, we have strong commercial and customer focus drivers to maintain our efforts in water efficiency. This includes responding to customer expectations for leadership from us in this area, and using targeted water efficiency initiatives to manage demands on our systems. This will help us to minimise expenditure to amplify our systems and keep downward pressure on bills.

We are seeking licence requirements that better align with managing water efficiently in non-drought circumstances. After the success of past, the scale of future water savings will be less than those achieved during the last drought. However, there is still value in pursuing opportunities in this field, such as implementing demand solutions as part of good asset management.

We want to invest in water efficiency where it provides good value for our customers. This needs to combine our dual objectives of efficiency in water use with affordability of water bills. To do this, we are developing a specialised multi-criteria decision framework to guide our investment. This will allow us to broaden our focus beyond the financial cost of water saved by water efficiency programs to take account of other factors, such as avoided costs, energy use and customer value.

We support IPART's view to remove the water use target of 329 litres per person per day (LPD), which is based on total water used by residential and non-residential customers. Sydney Water was required to meet this target by 30 June 2011 and maintain water use at this level after this date. Water use has been below this requirement since 2007. Average annual use is now around 310 LPD and is not expected to rise in the next five years. (Residential use makes up around 200 LPD.) While it was an effective tool in the past, the target no longer drives our effort in this area.

In addition, Sydney Water is no longer solely accountable for managing demand for water, with many water efficiency programs now implemented by Federal and State government agencies (such as the Water Efficiency Labelling Scheme (WELS) and BASIX planning requirements). In fact, it is these external programs that are likely to deliver the biggest water savings in the future. We are also no longer the sole supplier of drinking water in our area of operations. Accordingly, it may be inequitable for Sydney Water to have to meet, and our customers have to fund, a regulatory requirement for something not wholly under our control. A fixed target could also lead to inefficient expenditure, to ensure compliance in a given year, rather than having a strategic approach to water efficiency.

We agree with IPART's view that we should be required to manage leaks based on the Economic Level of Leakage, and suggest a review occur after two years. This method is an internationally recognised way of managing leakage. Our performance (less than eight per cent of drinking water supplied to customers each year) achieves the highest grade in the World Bank Institute grading system for leak management. Leak management is a core part of our daily operations. Reducing leaks makes commercial sense, and each year we scan over half our distribution network to proactively identify and repair leaks.

We would support drought readiness and response activities through our involvement with the Metropolitan Water Plan. We agree, in principle, with IPART's recommended licence requirement to develop a Roles and Responsibilities Protocol with the Metropolitan Water Directorate. The Directorate leads the inter-agency process that secures Sydney's water supply. A similar requirement was included in Hunter Water's most recent licence, for the Lower Hunter Water Plan.

## Environmental reporting

Environmental protection is very important to us, as is transparent communication with our customers and the community about how we aim to reduce and avoid harmful impacts on the natural and built environment wherever possible. We will continue to publish our Environment Policy, our annual Operating Licence Environment Report and our Sustainability Scorecard on the Sydney Water website. We will also provide information about how we use our Environmental Management System (EMS) to protect the environment in our day to day operations.

Sydney Water achieves excellent compliance against our EMS, which is now a mature and robust system. We strongly support retaining a licence requirement for an EMS, which aligns with IPART's approach to implementing system-based requirements for other areas of the licence. We will continue to report publicly each year against our progress in implementing the system, and also support the retention of reporting requirements for our other environmental indicators.

However, we agree with IPART's view that retaining a licence requirement for a forward five year environmental management plan is no longer necessary and overly prescriptive. This is a legacy obligation that precedes the implementation of our EMS. We have received minimal input from stakeholders and no public comments on our annual review of the five year plan for a number of years. We would still continue to prepare forward plans outlining our environmental objectives and targets, as this is an inherent part of an EMS itself.

## Stormwater

Sydney Water will seek an amendment to the Operating Licence to clarify that we can construct new stormwater assets and amplify existing assets where required. In the past, this issue has been the source of some uncertainty. Our proposed changes would clearly articulate Sydney Water's ability to act upon system deficiencies, including by amplifying the stormwater system, where this makes business sense. We may still seek a Ministerial Direction under the *State Owned Corporations Act 1989* for work in exceptional circumstances or that requires non-commercial investment.

## Customer Contract

Customers are our core focus and we have sought to refine the Customer Contract to ensure we can provide them with services in the best possible way. Our main proposal for change is the removal of rebates for non-residential customers (who have other forms of redress in the event of a service disruption, for example, through insurance). We have consulted our Business Customer Forum about this change, who supported our approach and advised that a \$30 or \$50 rebate is often seen only as a token by business customers.

We would retain rebates for residential customers, and are proposing to increase the discrete value of rebates for single events by approximately 15% (to account for inflation over the next five years). We also propose to provide rebates for repeat incidents as a larger, up-front payment, rather than a service charge deduction over a number of bills. This will allow customers who already pay a reduced service charge, like pensioners, to receive the full benefit of such a rebate.

Sydney Water also proposes some minor wording changes to the Customer Contract, to ensure it is in line with best practice, consistent with current legislation, and to clarify some ambiguities about Sydney Water and customer responsibilities.

For example, we recommend removing the list of items that needs to be included on a bill. We will still include most of this information on bills in order to assist customers, but this is not something that needs to be stipulated in the contract. Sydney Water should be able to change the format of our bills within the term of the licence to respond to customer needs and expectations.



## Summary of issues raised by IPART and our response

A summary of Sydney Water's views in response to the key issues outlined by IPART in its Issues Paper has been provided in Table 1 below. More detailed responses and discussion of these issues are provided throughout our submission, as noted.

**Table 1 Summary of Sydney Water responses to key issues raised by IPART**

Question number/s	IPART's key issues and preliminary views	Summary of Sydney Water response	Relevant section of submission
Water quality			
1 – 7	<ul style="list-style-type: none"> <li>IPART is seeking feedback on need for drinking water quality obligations.</li> <li>Preliminary view is to clarify licence obligations to specifically require Sydney Water to have a Water Quality Management System (WQMS) consistent with <i>Australian Drinking Water Guidelines</i>.</li> <li>Seeking feedback on whether to remove obligation to produce a five-year Drinking Water Quality Management Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Sydney Water already manages drinking water quality in accordance with the Australian Drinking Water Guidelines (ADWG) using a quality management system approach.</li> <li>We support IPART's view to implement a Water Quality Management System (WQMS) requirement in the next Operating Licence.</li> <li>This proposed change would require minimal changes to Sydney Water's existing systems and processes, and has the potential to provide better value for customers than the existing requirements.</li> <li>We are committed to a transparent approach to reporting drinking water quality outcomes to regulators and customers.</li> </ul>	<a href="#">Section 3 – Water quality</a>
Infrastructure			
8 – 13	<ul style="list-style-type: none"> <li>Preliminary view is to introduce a licence requirement for an Asset Management System (to replace current requirements relating to the Asset Management Framework).</li> </ul>	<ul style="list-style-type: none"> <li>We support a requirement for Sydney Water to develop and implement a certified Asset Management System (AMS).</li> <li>We support the use of the ISO 55001:2014 Standard (or its relevant version at the time). This is the latest internationally recognised standard for asset management.</li> <li>Our current Asset Management Framework already addresses many</li> </ul>	<a href="#">Section 4.1 – Asset management</a>

Question number/s	IPART's key issues and preliminary views	Summary of Sydney Water response	Relevant section of submission
	<ul style="list-style-type: none"> <li>Seeking feedback on whether this system should be certified.</li> <li>Seeking feedback on costs, benefits, timeframes and reporting requirements associated with implementing an Asset Management System.</li> </ul>	<p>of the elements of an AMS. Transitioning from our existing framework (which is a requirement under our current licence) to a certified AMS aligns with Sydney Water's internal direction towards certifying key business processes and would not require undue effort or cost.</p> <ul style="list-style-type: none"> <li>We seek a similar timeframe to develop and achieve certification as adopted for other water utilities in recent licence reviews (four years to develop the AMS and one year to achieve certification).</li> <li>We recommend providing a report on the state of our assets (or how our assets contribute to servicing customers) to IPART once every four years, to align with our pricing reviews.</li> </ul>	
14 – 15	<p>IPART poses two questions relating to definitions:</p> <ul style="list-style-type: none"> <li>unplanned water interruptions (to be consistent with the definition used for Hunter Water)</li> <li>“uncontrolled” sewage overflows (to remove the word “uncontrolled”)</li> </ul> <p><i>Note: There is no discussion included in the Issues Paper on these questions.</i></p>	<ul style="list-style-type: none"> <li>Sydney Water's view is that the definitions used in the licence should relate to events that are within our control.</li> <li>Where possible, the definitions in the licence, the Reporting Manual and the Customer Contract should be consistent, to avoid confusion.</li> <li>Amending the definition of an unplanned interruption to exclude events resulting from third parties or power failures does not raise any issues of concern for Sydney Water.</li> <li>If the definition is amended, there is no need to amend the target level, as the number of unplanned interruptions caused by these events is a relatively small component of unplanned interruptions experienced by our customers.</li> <li>We do not support changing the definition of sewage overflow in any way that removes a clear distinction between uncontrolled and controlled (or directed) overflows. “Uncontrolled overflows” result from a blockage or collapse of a pipe in the reticulation wastewater system. “Controlled overflows” are designed to prevent overloaded or blocked sewers from discharging at sensitive sites that could impact public health or the environment. The system performance standard should only apply to the former.</li> </ul>	<p><a href="#">Section 4.2.1 – Unplanned water interruptions</a></p>

Question number/s	IPART's key issues and preliminary views	Summary of Sydney Water response	Relevant section of submission
		<ul style="list-style-type: none"> <li>For regulatory consistency, references to “controlled” overflows should be replaced with “directed” overflows, to be consistent with the terms and intent of Sydney Water’s Environment Protection Licences, issued by the Environment Protection Authority. This would retain a clear distinction between these types of events.</li> <li>All sewage overflows on private property are uncontrolled overflows and are counted under the existing standard.</li> </ul>	<a href="#">Section 4.2.2 – Sewage overflows</a>
16 – 19	<ul style="list-style-type: none"> <li>IPART is seeking feedback on whether system performance standards align with customer expectations and preferences.</li> <li>Seeking feedback on whether Sydney Water should notify IPART of significant asset failures, costs and benefits and general appropriateness of mains break/leak response time requirements.</li> </ul>	<p><i>System performance standards</i></p> <ul style="list-style-type: none"> <li>Sydney Water currently performs well within the limits of our system performance standards. Our asset management approach sets investment in asset repair and renewals at the lowest life cycle point to balance service, cost and risk, as well as meet our regulatory requirements.</li> <li>Our customer surveys show that we are achieving high levels of satisfaction with our asset management approach and getting results that customers value.</li> <li>We will continue to look for ways to manage our system efficiently to keep bills low, while maintaining high levels of customer satisfaction.</li> <li>We are not seeking any changes to system performance standard limits as part of this review.</li> <li>We are seeking some minor changes to compliance measures and definitions, namely: <ul style="list-style-type: none"> <li>amending the definition of a water pressure failure from fifteen minutes to one hour duration, to align with design standards and practice</li> <li>an ability to seek an exemption from IPART for major, unplanned events that occur during planned water system maintenance activities.</li> </ul> </li> </ul>	<a href="#">Section 4.3 – System Performance Standards</a> <a href="#">Section 4.4 – Water pressure system performance standard</a> <a href="#">Section 4.5 – Continuity system performance standards and performance</a> <a href="#">Section 4.6 – Sewage overflows system performance standards</a>

Question number/s	IPART's key issues and preliminary views	Summary of Sydney Water response	Relevant section of submission
		<ul style="list-style-type: none"> <li>• These changes are consistent with a risk-based, outcomes focused regulatory approach. In the longer term, the Operating Licence could adopt system performance standards that are better aligned to customer service outcomes and expectations, rather than focus on only one aspect of customer service (asset performance).</li> </ul> <p><i>Response times for leaks and breaks</i></p> <ul style="list-style-type: none"> <li>• We are not recommending any changes to response times to Priority 6 and Priority 4 leaks and breaks.</li> <li>• We are recommending that response time targets for Priority 5 (medium) breaks and leaks be modified to the next working day, rather than six hours. This sometimes cause inconvenience to customers when we turn off the water supply at times of peak demand, or respond with a repair crew late at night. Sydney Water wants to manage leaks in a way that balances customer focus, economic justification and minimises water loss.</li> <li>• Sydney Water would send a first call response to assess the Priority 5 leak and take any necessary immediate action. Leaks and breaks assessed to have safety and / or damage risks will not be deferred. Our proposed change is expected to result in a small potential increase in leakage of 0.4 ML/day (which is less than 0.4% of our current leakage target of 105 ML/day).</li> <li>• Response times are not a measure of infrastructure performance or leakage, or customers' perceptions of value. These would be more appropriately classified as a performance indicator and should be moved to the Reporting Manual. This is consistent with the approach used for many other water utilities.</li> <li>• There is no need or benefit to notifying IPART of significant asset failures. We already have robust processes in place for these types of events.</li> </ul>	<p><a href="#">Section 4.7 – Water mains break/leak response time requirements</a></p>

Question number/s	IPART's key issues and preliminary views	Summary of Sydney Water response	Relevant section of submission
20 – 21	<ul style="list-style-type: none"> <li>• IPART suggests there be no new Priority Sewerage Program (PSP) schemes within the new licence.</li> <li>• Seeking feedback on whether the licence should contain any obligations for the PSP, particularly if the current obligations for completion or milestones for incomplete projects should be retained</li> <li>• Suggests that it may be more appropriate for Government to fund these works and services through an alternative mechanism, such as a community service obligation. This could also include seeking proposals from the market to provide these services.</li> </ul>	<ul style="list-style-type: none"> <li>• We support removing all obligations relating to PSP from Sydney Water's next Operating Licence.</li> <li>• We do not believe the Operating Licence is the appropriate or best regulatory instrument to deliver localised programs. The licence should reflect minimum standards for servicing our broad customer base.</li> <li>• Sydney Water will service Austral, Menangle and Menangle Park through future growth servicing programs.</li> <li>• Under the current arrangement of including the program as a licence requirement, the costs for PSP are borne by all Sydney Water wastewater customers for many years. Delivering the PSP to Yanderra, Nattai and Scotland Island would cost up to \$235,000 per lot, adding around \$5 to all Sydney Water wastewater bills for 78 years.</li> <li>• Sydney Water is happy to work with Government to explore alternative options.</li> </ul>	<a href="#">Section 4.8 – Priority Sewerage Program</a>
Water conservation			
22 – 28	<ul style="list-style-type: none"> <li>• IPART's preliminary view that the new licence should require Sydney Water to: <ol style="list-style-type: none"> <li>1. manage leakage to the Economic Level of Leakage (ELL)</li> <li>2. develop a protocol with the Metropolitan Water</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>• Water efficiency is now part of Sydney Water's core business and the current licence requirements no longer drive our effort in this field.</li> <li>• On the whole, Sydney Water supports a move away from prescriptive obligations around water conservation. Particularly, we support IPART's view to remove specific obligations relating to water use, water recycling and the water conservation strategy, including fixed water use or leakage targets.</li> <li>• There are strong community and customer expectations that Sydney</li> </ul>	<a href="#">Section 5 – Water conservation</a> <a href="#">Section 5.4 – Other water conservation and efficiency provisions</a>

Question number/s	IPART's key issues and preliminary views	Summary of Sydney Water response	Relevant section of submission
	<p>Directorate outlining roles and responsibilities to develop and implement the Metropolitan Water Plan.</p> <p>This would mean that specific obligations relating to water use, water efficiency, water recycling and the water conservation strategy are removed. IPART is seeking feedback on these views.</p> <ul style="list-style-type: none"> <li>IPART is also seeking feedback on how often Sydney Water should review the ELL.</li> </ul>	<p>Water will have an ongoing role in water efficiency. We are not opposed to having some licence requirement, provided it is sufficiently flexible to allow us to invest in water efficiency where it will can provide good value to our customers.</p> <ul style="list-style-type: none"> <li>Instead of a per capita water use target, the licence could require Sydney Water to develop and maintain a multi-criteria decision framework to guide our future investment in water efficiency.</li> <li>With regard to leakage, we support IPART's view to require Sydney Water to manage leaks in line with the Economic Level of Leakage (ELL) and report to IPART how we apply this to our leak management program. This provides value to customers and is appropriate for non-drought conditions.</li> <li>We propose that the ELL be reviewed once during the licence term, after two years.</li> <li>With regard to metropolitan water planning, we agree that the Metropolitan Water Plan is the most appropriate instrument to manage long-term water supply and demand balance planning, including for times of drought. We support IPART's proposal for a Roles and Responsibilities protocol requirement.</li> </ul>	<p><a href="#">Section 5.4.2 – The water use level target should not be lowered</a></p> <p><a href="#">Section 5.4.1 – Alternative licence requirement: a multi-criteria decision framework</a></p> <p><a href="#">Section 5.2 – Water leakage</a></p> <p><a href="#">Section 5.3 – Implementing the Metropolitan Water Plan</a></p>
Environment			
29 – 31	<ul style="list-style-type: none"> <li>IPART's preliminary view is that the new licence should require Sydney Water to: <ol style="list-style-type: none"> <li>maintain an Environmental Management System certified to ISO 14001:2004</li> <li>continue reporting on performance against</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>We support retaining a licence obligation to maintain our Environmental Management System (EMS), certified to ISO 140001:2004.</li> <li>We are committed to being an environmentally responsible organisation and support transparency around our performance through public reporting on our environmental initiatives. This will continue through our reporting obligations for our EMS, as well as reporting on IPART and National Water Initiative environmental indicators.</li> </ul>	<p><a href="#">Section 6 – Environment</a></p>

Question number/s	IPART's key issues and preliminary views	Summary of Sydney Water response	Relevant section of submission
	<p>environmental indicators</p> <ul style="list-style-type: none"> <li>This would remove the requirement to prepare and annually review the five-year Environment Plan.</li> </ul>	<ul style="list-style-type: none"> <li>We agree with IPART's view that the requirement to prepare a five-year Environment Plan is a legacy requirement preceding the implementation of our EMS, is overly prescriptive and is no longer necessary or relevant.</li> <li>We have received minimal input from stakeholders on the annual review of the Environment Plan during the current licence term.</li> </ul>	
Customer rights			
32 – 34	<ul style="list-style-type: none"> <li>Preliminary view that no major changes to the customer obligations in the Operating Licence are necessary.</li> <li>IPART's preference would be to remove outdated legislative requirement to include the Customer Contract in the Operating Licence. However, this is beyond the scope of this review.</li> <li>Preliminary view that the current financial hardship and Customer Council provisions are operating effectively and should be retained.</li> <li>Seeking feedback on whether the Customer Contract can be enhanced.</li> </ul>	<ul style="list-style-type: none"> <li>We agree with IPART's view that there are no major changes required to the Operating Licence to enhance customer protection.</li> <li>Sydney Water has reviewed our Customer Contract to ensure it is consistent with current legislation and Sydney Water policies. We have also suggested a number of changes to make it easier for customers to understand.</li> <li>Our overall view is that the Customer Contract does not need to be as prescriptive as it has been.</li> <li>A key change proposed is to remove rebates for non-residential customers, as these customers have other forms of redress. We are proposing to retain rebates for residential customers, with some changes to payment arrangements that will benefit customers.</li> <li>Other changes clarify responsibilities for customers and Sydney Water, remove unnecessary prescription and relate to new services.</li> <li>While beyond the scope of this review, we agree that separating the Customer Contract from the licence would enable more flexible adaptation in response to customer needs and preferences, subject to appropriate consultation.</li> <li>We have provided a draft revised Customer Contract for public consultation as part of this submission. We have also sought comment on our proposed changes from our customer forums.</li> </ul>	<p><a href="#">Section 7 – Customer rights</a></p> <p><a href="#">Appendix 5 – Proposed changes to the Customer Contract</a></p>

Question number/s	IPART's key issues and preliminary views	Summary of Sydney Water response	Relevant section of submission
Other areas for consideration			
37 – 38	<ul style="list-style-type: none"> <li>IPART's preliminary position is to retain a licence obligation for a Memorandum of Understanding (MoU) with NSW Health.</li> <li>IPART's view is to remove licence requirements for a MoU with the NSW Office of Water (NOW) and the Environment Protection Authority (EPA). This would not remove legislative requirements to have MoUs with these agencies.</li> </ul>	<ul style="list-style-type: none"> <li>We propose retaining an obligation for MoUs with all three agencies – NSW Health, NOW and the EPA. This will provide clarity and fill regulatory gaps.</li> <li>With regard to the MoU with the EPA, we suggest that the wording for this requirement could be amended to more accurately reflect regulatory and legislative obligations.</li> </ul>	<a href="#">Section 8.1 – Memoranda of Understanding</a>
39 – 41	<ul style="list-style-type: none"> <li>IPART intends to closely examine the costs and benefits of introducing a new Quality Management System (QMS) licence obligation.</li> <li>Seeking feedback on benefits, costs, timeframes and whether a QMS would need to be certified.</li> </ul>	<ul style="list-style-type: none"> <li>A QMS would assist to integrate our key business processes across various operational areas. It would also provide a higher level of assurance and better leverage of existing resources devoted to quality management.</li> <li>We support the requirement specifying that the QMS be certified. Sydney Water believes a reasonable time to develop and implement an organisation wide QMS to be four years, with an additional year to achieve certification.</li> <li>Our initial estimates are that a QMS would involve some one-off costs to establish but then may result in some minor decreases for ongoing costs, compared to current expenditure in this area.</li> </ul>	<a href="#">Section 8.2 – Quality Management System</a>  <a href="#">Appendix 3 – Management system costs</a>



Question number/s	IPART's key issues and preliminary views	Summary of Sydney Water response	Relevant section of submission
42 – 43	<ul style="list-style-type: none"> <li>IPART is seeking feedback on need to change existing performance indicators.</li> </ul>	<ul style="list-style-type: none"> <li>Sydney Water agrees with IPART's view that no changes are required to performance indicators. We participated in the 2012 review of indicators across several utilities.</li> <li>Some indicators are not required from a Sydney Water perspective.</li> </ul>	<a href="#">Section 8.3 – Performance indicators</a>
44 – 45	<ul style="list-style-type: none"> <li>Seeking feedback on whether any licence obligations hinder or enhance contestability or third party access to Sydney Water's monopoly infrastructure services.</li> </ul>	<ul style="list-style-type: none"> <li>We believe some licence obligations could be revised to better reflect the contestability framework that is now in place.</li> <li>With regard to third party access, other reviews and forums have looked at the extent of contestability in the Sydney urban water market, across the broader legislative context.</li> </ul>	<a href="#">Section 8.4 – Contestability in the water market</a>
46 – 47	<ul style="list-style-type: none"> <li>Seeking feedback on whether the licence can be amended to enhance links with IPART's pricing function or provide added incentives to Sydney Water to pursue efficiency gains.</li> </ul>	<ul style="list-style-type: none"> <li>There is potential for the Operating Licence to be more closely linked with pricing regulation to provide added financial incentives to Sydney Water to pursue efficiencies that align with customer value.</li> <li>We believe this should be considered as part of the upcoming pricing review.</li> </ul>	<a href="#">Section 8.5 – Enhancing links between the Operating Licence and IPART's pricing regulation</a>

**Table 2 Summary of additional issues raised by Sydney Water**

Issue raised by Sydney Water	Summary of Sydney Water position	Further detail in this submission
<ul style="list-style-type: none"> <li>Stormwater provisions</li> </ul>	<ul style="list-style-type: none"> <li>There is a need for clarity within the licence on Sydney Water’s ability to amplify stormwater assets. This will remove uncertainty and reinforce our ability under the <i>Sydney Water Act 1994</i> to construct stormwater assets.</li> <li>There is also an inconsistent use of terms relating to stormwater throughout the Operating Licence and the Customer Contract. We recommend that two consistent terms be used: stormwater services and stormwater drainage system.</li> </ul>	<a href="#">Section 8.6 – Additional issue raised by Sydney Water – stormwater</a>
<ul style="list-style-type: none"> <li>Connection of services</li> </ul>	<ul style="list-style-type: none"> <li>We suggest an amendment to this clause to clarify its intent.</li> </ul>	<a href="#">Section 8.7 – Additional issue raised by Sydney Water – connection of services</a>
<ul style="list-style-type: none"> <li>Wording change to wastewater</li> </ul>	<ul style="list-style-type: none"> <li>We recommend using the term wastewater instead of sewage, sewer and sewerage.</li> </ul>	<a href="#">Section 8.8 – Wording change requested by Sydney Water – use of wastewater</a>

# 1 Introduction

## 1.1 About the Operating Licence

Sydney Water's *Operating Licence 2010-2015* allows us to deliver services to customers living in Sydney, the Blue Mountains and the Illawarra. The Operating Licence is a requirement of the *Sydney Water Act 1994* (the Act) and sets out operating, reporting and auditing obligations that Sydney Water must comply with.

The Operating Licence contains requirements for:

- the delivery of water, wastewater, recycled water and stormwater services
- infrastructure performance, including asset management, system performance standards and delivery obligations for the Priority Sewerage Program
- customer and consumer rights, including complaint and dispute handling
- environmental management
- water conservation
- compliance reporting throughout the term of the licence.

The current Operating Licence will expire on 30 June 2015. A licence can be renewed for a maximum term of five years.

## 1.2 End of term review of the Operating Licence

IPART is responsible for conducting an end of term review of the Operating Licence and recommending to the Minister for Natural Resources, Lands and Water the terms of an amended or new licence. Following Ministerial approval, the amended or new licence must also be approved by the NSW Governor before it takes effect.

On 16 June 2014 IPART released an Issues Paper to initiate the end of term review of our current Operating Licence. Sydney Water's submission (this document) is due to IPART on 30 July 2014, with all other public submissions being due by 20 August 2014.

## 1.3 Compliance with our current licence

Sydney Water has an excellent record of compliance with its Operating Licence. Over the period of our current licence, we have maintained full compliance for most licence clauses.

In 2012-13, we achieved:

- full compliance with requirements relating to:
  - drinking water quality
  - infrastructure performance
- high compliance<sup>1</sup> with requirements relating to:
  - recycled water quality
  - customer and consumer rights.

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<sup>1</sup> 'High compliance' is defined in the *IPART Audit Guideline Public Water Utilities (May 2013)* as "the requirements have generally been met apart from very few minor shortcomings which do not compromise the ability of the utility to achieve defined objectives or assure controlled processes, products or outcomes".

High compliance was achieved for recycled water and customer and consumer rights because of minor issues that have now been or are currently being addressed.

Overall, since 1995, our compliance with the Operating Licence has significantly improved, with our results being consistently high over the last two licensing periods, as shown in Figure 1.

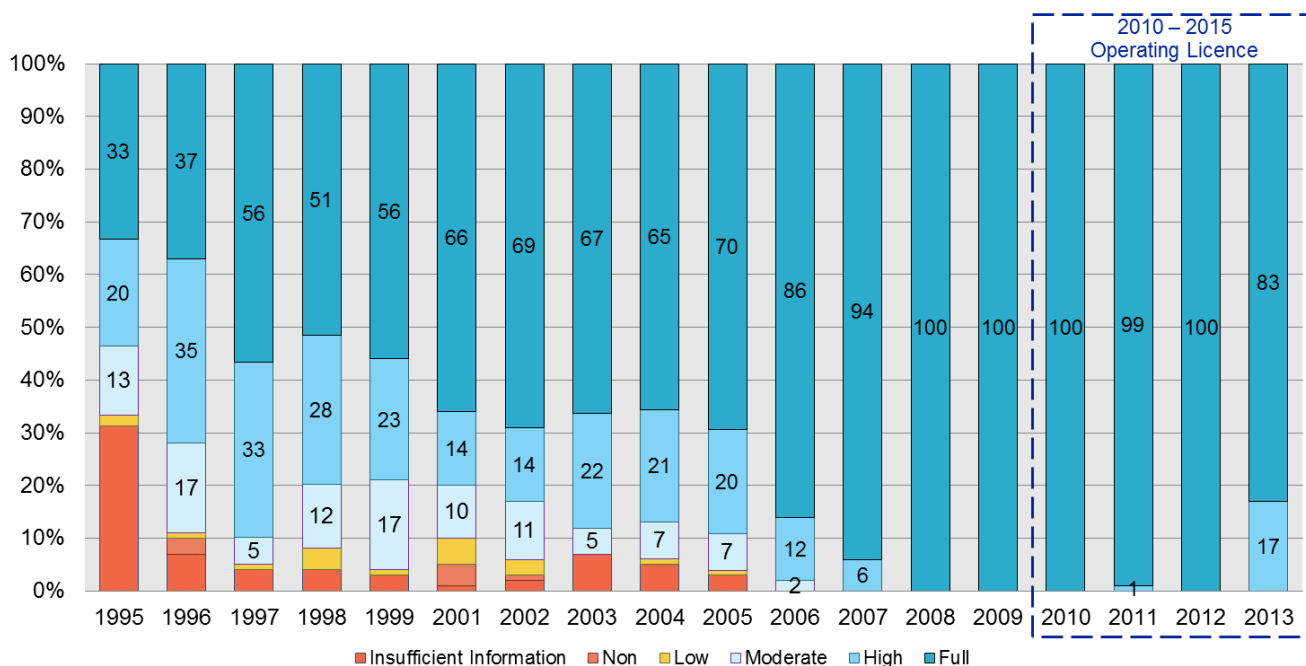


Figure 1 Sydney Water's Operating Licence compliance performance for 1995-2013 (% compliance achieved)

## 1.4 Consultation with customers and stakeholders

In preparing for and developing this submission, we have engaged with customers, stakeholders and staff from across our business. This informed our positions and helped to highlight areas of the licence we feel could be amended or removed, in order to deliver greater value to customers and the community.

In particular, we:

- conducted an online survey (Appendix 4 of this submission contains the questions and responses to this survey)
- drew from existing sources of customer insight, such as internal data, as well as interactions with customers, external customer research and surveys to understand customer values, preferences and behaviours
- sought feedback on our draft positions from our business and residential customer forums. The Customer Council has representatives from a number of groups representing key customer segments, such as the Public Interest Advocacy Centre, Total Environment Centre, Ethnic Communities Council NSW and the Local Government Association. Our Business Customer Forum includes members representing peak industry and business organisations, such as the NSW Business Chamber, the Property Council of Australia and Restaurant and Catering NSW.
- discussed individual proposals in more detail with specific partners and stakeholders, such as NSW Health and the Environment Protection Authority (EPA) in various forums, including ongoing engagement processes with these stakeholders and at an information session held at our Head Office.

## 1.5 Structure of this submission

This document provides Sydney Water's response to each of the issues raised by IPART and presents our recommendations for improving the Operating Licence.

For ease of reference, our submission has been set out to mirror the structure and numbering used in IPART's Issues Paper. The Issues Paper itself is based on the key areas of Sydney Water's current Operating Licence.

The 47 questions outlined in IPART's Issues Paper are noted in each section of this submission in a light green text box. Each text box contains a high level response by Sydney Water **in bold**, with further detail provided in the text below.

Sydney Water's key messages for each section of this submission are highlighted in a light blue text box.

The following sections of this submission provide Sydney Water's views and recommendations with regard to:

- Section 2 – Context
- Section 3 – Water quality
- Section 4 – Infrastructure
- Section 5 – Water conservation
- Section 6 – Environment
- Section 7 – Customer rights. In addition, our proposed changes to the Customer Contract are attached at Appendix 5.
- Section 8 – Other areas for consideration. This includes issues raised by IPART in the corresponding section of their Issues Paper, as well as some other additional issues identified by Sydney Water.

## 2 Context

### 2.1 Recent changes to other utility licences

In recent licences, IPART has recommended licence clauses that require the utility to implement a management system, where appropriate, rather than include numerous clauses that prescribe in detail activities that must be implemented by the licensee. This approach retains the regulator's ability to safeguard outcomes for customers, the community and the environment, while potentially reducing the regulatory burden on utilities.

Systems-based requirements have been used in recent licences for Hunter Water, State Water and the (former) Sydney Catchment Authority, in the case of drinking water quality, environment, asset management and quality management. Sydney Water has had an Operating Licence requirement for a certified Environmental Management System since 2005.

#### 2.1.1 Extending a systems-based approach throughout the licence

Several of IPART's preliminary views presented in its Issues Paper would see this approach further implemented in Sydney Water's Operating Licence, through the introduction of new licence obligations relating to drinking water quality management, asset management and quality management (across the whole organisation) systems. As noted in the following sections of this submission, Sydney Water, in principle, supports a move towards more system-based requirements. This approach should allow for the streamlining of document management, training, auditing, reporting, legislative registers and training records, as IPART notes in its Issues Paper. It should also reduce the regulatory burden on Sydney Water, as having effective management systems in place should mean that the regulator can confidently reduce more onerous auditing and reporting requirements and allow the emphasis of regulation to be upon higher risk elements.

Indeed, it is important to ensure that removing prescription from the body of the licence through the use of systems-based clauses does not result in the perverse outcome of causing additional regulatory burden on the licensee (or the regulator) through retention of redundant or unnecessary detailed reporting and / or auditing requirements in the Reporting Manual.

We note that IPART has recently hosted a number of workshops with representatives from licensed utilities to develop appropriate reporting and auditing obligations under a system-based licensing framework. We welcome IPART's collaborative approach to this issue and look forward to continuing to work with IPART and other stakeholders in the future.

### 2.2 Proposed changes to licensing under the WIC Act

Sydney Water notes that, under the NSW Government's proposed changes to the *Water Industry Competition Act 2006* (the WIC Act), there may be some changes to the way new water market participants are licensed. This could include the introduction of requirements for all new entrants to have quality management, asset management and environmental management systems in place, though not a generic requirement for these systems to be certified (this will depend on the size and maturity of the organisation). IPART has sought feedback on whether Sydney Water should be required to maintain certified systems, as part of a move towards more system-based licence requirements.

As noted in section 8.4 of this submission, there are a number of differences between licences for WIC Act licensees and Sydney Water. As a public monopoly provider of essential services, there are compelling arguments why Sydney Water should be subject to certain more stringent regulatory obligations than a company operating in a competitive market environment, at least at the current stage of market development.

On the other hand, Sydney Water has an established record of providing extremely high quality services to customers. We are also subject to legislative obligations to provide services to customers in our area of operations, which other companies, such as private WICA licensees, are not. For these reasons, in the longer term, it may be desirable to have all water industry market participants covered by a single licensing framework or Water Industry Act. Sydney Water noted this view in our submission to the recent Urban Water Regulation Review.<sup>2</sup> While this longer term goal would require careful consideration and a robust, consultative development process, it may avoid the potential for unintended market outcomes or distortions that may arise from differences in the treatment of incumbents and new entrants, which may be to the detriment of customers.

## 2.3 Potential for longer term regulatory change

Traditionally in NSW, the legislation and regulation of public utilities has emphasised the need to protect the interests of customers, the community and the environment. To provide this safeguard, IPART has historically taken a prescriptive approach by defining, through an Operating Licence, what the public utility must achieve, often through setting minimum standards of service. This has at times prevented Sydney Water from having the flexibility to adopt measures and practices that deliver the best value to its customers.

A best practice regulatory framework should not stop at the protection of customer, community and environmental interests. It should further provide a regulated business with the opportunity to align its own business interests with the interests of society as a whole. This assumption is based on the premise that the business, operating as a commercial entity, is in the best position to understand what drives value for its customers. Sydney Water's broad regulatory framework includes the pricing framework as well as operational standards (as regulated through the Operating Licence), both set by IPART. Sydney Water will also continue to seek alignment in our environmental regulation (set through our Environmental Protection Licences, which are issued by the Environment Protection Authority).

In this context, the role of regulation in the regulatory frameworks of the energy sector in Australia and the water sector in the UK goes beyond simply setting the minimum levels of service that the utility must provide to customers. It employs these levels to develop service performance standards as targets (within the regulatory framework) that reward superior performance or penalise poor performance by the business.

Sydney Water believes that establishing such a best practice framework applicable to the urban water sector in New South Wales should be a long-term regulatory objective. Doing so, however, requires consideration of the most appropriate regulatory incentive arrangements that would align with outcomes that exist in competitive markets as well as the implementation of detailed customer insight and engagement projects.

With this in mind, Sydney Water has begun an internal project to consider the potential form a best practice regulatory framework could take. One part of this project is to look at potential alternative licence standards (other than those in the Operating Licence) that could better incentivise Sydney Water to improve customer service outcomes (rather than only asset performance) across the business. The outcomes of this project will inform considerations about how the Operating Licence could be used as a source for defining quality and performance targets in future pricing reviews.

We believe our recommendations for licence reform in this submission align with this longer term goal for broader regulatory reform. We look forward to continuing discussions with IPART on this issue.

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<sup>2</sup>Urban Water Regulation Review Position Paper, Metropolitan Water Directorate, 2014. This is the joint review considering the *Water Industry Competition Act 2006* and regulatory arrangements for water recycling under the *Local Government Act 1993*.

## 3 Water quality

### Key messages

- Over the term of the next Operating Licence we will maintain our focus on protecting public health by continuously improving drinking water quality processes and procedures.
- Sydney Water already manages drinking water quality in accordance with the Australian Drinking Water Guidelines (ADWG).
- Sydney Water supports IPART's preliminary view to implement a Water Quality Management System requirement in the next Operating Licence. This would require minimal changes to our existing systems and processes.
- Sydney Water is committed to providing customers with readily accessible information on the quality and safety of water they receive and the context of how we achieve this.

One of Sydney Water's principal goals is to protect public health by providing safe drinking water. Sydney Water has continuously provided drinking water of excellent quality for many years. This has been evidenced over successive Operating Licence periods and by ongoing International Organisation for Standardisation (ISO) certification of our Drinking Water Quality Management System.

Sydney Water manages risks to drinking water quality in a dynamic and evolutionary way. It has required constant and ongoing effort to maintain our high standards. Our vision for drinking water quality over the term of the next Operating Licence is to continue to protect public health by:

- maintaining current systems and processes for managing risks to water quality
- seeking to continuously improve drinking water processes and procedures
- keeping up to date with the latest scientific and technical knowledge in drinking water quality and applying it to our operations
- working with key stakeholders, in particular NSW Health, Bulk Water NSW (formerly, the Sydney Catchment Authority) and IPART to manage risks to drinking water quality
- maintaining full compliance with all drinking water quality aspects of the Operating Licence.

The Australian Drinking Water Guidelines 2011 (ADWG) set out the framework for the management of drinking water quality and are in accordance with the *Public Health Act 2010* (the Public Health Act). The framework was developed to guide the design of a structured and systematic approach for managing drinking water quality from catchment to consumer, to ensure drinking water is safe and reliable. It incorporates a preventive risk management approach along with elements of other quality management tools, for example, ISO9001, HACCP and AS/NZS ISO 31000. Sydney Water uses these tools in a drinking water supply context to support consistent and comprehensive implementation of the ADWG.



### 3.1 Current water quality obligations

1. Should the Operating Licence obligations for drinking water be retained, given the presence of similar requirements under the *Public Health Act 2010*?

**Sydney Water supports effective and efficient removal of regulatory duplication.**

2. If the licence obligation for drinking water is retained, should it be subject to the Chief Health Officer granting an exemption from requiring a quality assurance program under the *Public Health Act 2010*?

**Yes. This would minimise the potential for duplicated and / or conflicting requirements.**

Under the Public Health Act, suppliers of drinking water must establish, and adhere to, a quality assurance program that complies with the requirements prescribed by the regulations. The Public Health Act allows NSW Health to exempt suppliers from this obligation if the supplier is subject to other appropriate licensing or regulatory requirements.

NSW Health has granted Sydney Water an exemption from the quality assurance program requirements under the Public Health Act until June 2015, due to our Operating Licence requirement to manage drinking water quality in accordance with the ADWG. The exemption from NSW Health is based on the following conditions:

1. Sydney Water must continue to implement a Drinking Water Quality Management Plan (DWQMP) that addresses the elements of the framework for the management of drinking water quality (as set out in the ADWG).
2. Sydney Water must ensure that NSW Health is provided with any update or amendment to the DWQMP.
3. Sydney Water must continue to provide NSW Health with an Annual Report on implementation of the DWQMP.
4. The annual Operational Audit must find that Sydney Water's implementation of the DWQMP is satisfactory.
5. The Chief Health Officer may cancel this exemption if Sydney Water's implementation of the DWQMP is not satisfactory.

We currently meet all of the above conditions through our Operating Licence obligation to prepare a Five-year DWQMP. This plan currently duplicates the kinds of systems and processes we implement under our Integrated Management System. In order to remove this duplication it is Sydney Water's preference to replace the current requirement to produce a Five-year Drinking Water Quality Management Plan with a requirement to maintain a Water Quality Management System (see sections 3.3 and 3.4 of this submission). This would also ensure better alignment with the Public Health Act requirement.

In the future, our preference is for drinking water quality to be regulated simply in accordance with the Public Health Act. This could be done either directly by NSW Health or indirectly by IPART via our Operating Licence, but should not be subject to duplicated requirements from both. The *Sydney Water Act 1994* requires the Operating Licence to specify "quality and performance standards" in relation to water quality.<sup>3</sup> This legislative requirement could still be met by the Operating Licence referring to regulation and oversight to be provided by either NSW Health or by

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<sup>3</sup> *Sydney Water Act 1994*, Part 5 section 14(1)(c)

IPART. The obligations in either case, however, should be in accordance with the Public Health Act.

If the current Operating Licence obligations for drinking water quality were to be retained, they should again be subject to the Chief Health Officer granting an exemption from requiring a quality assurance program under the Public Health Act.

### 3.2 Fluoridation

3. Given the requirements of the *Fluoridation of Public Water Supplies Act 1957*, the *Fluoridation of Public Water Supplies Regulation 2012* and the *New South Wales Code of Practice for Fluoridation of Public Water Supplies 2011*, should fluoridation requirements in the operating licence be removed?

**Yes. NSW Health is the appropriate regulatory body for this area.**

We support IPART's preliminary view to remove these obligations from the Operating Licence. Sydney Water is sufficiently regulated in this area under the *Fluoridation of Public Water Supplies Act 1957* and associated regulations and codes. Sydney Water will continue to ensure drinking water is fluoridated under these regulatory obligations.

### 3.3 Management of drinking water quality

4. Should the Operating Licence's water quality obligations for drinking water and recycled water be changed to require Sydney Water to maintain a Water Quality Management System that is consistent with the Australian Drinking Water Guidelines (ADWG) and Australian Guidelines for Water Recycling (AGWR)?

**Yes. This accords with the ADWG, AGWR and is Sydney Water's current practice.**

This change would have a minimal impact to the existing systems and processes used by Sydney Water to manage drinking and recycled water in accordance with ISO9001, as they are closely aligned to the ADWG framework.

Sydney Water manages drinking water quality using the vehicle of our ISO9001 quality management system. Our Drinking Water Quality Management System fully embraces the 12 elements of the ADWG framework and embeds these within our operations. The effectiveness of our certified quality management system for drinking water is proven by the continuously outstanding quality of water we provide to customers.

A key element of our quality management system for drinking water is continuous improvement. The continuous improvement initiatives for drinking water are developed in consultation with key stakeholders such as Bulk Water NSW (formerly, the Sydney Catchment Authority), NSW Health and IPART and are detailed in our Drinking Water Quality Management Plan.

### 3.4 Five-year Drinking Water Quality Management Plan and reporting requirements

5. Should the operating licence's obligation to produce a Five-year Drinking Water Quality Management Plan be removed?

**Yes. This type of plan is an output of the ADWG Framework and does not require a separate obligation in the Operating Licence.**

6. Should the operating licence's reporting requirements be changed to utilise the output of the Water Quality Management System?

**We support transparent reporting to IPART and customers on the quality and safety of water they receive and the context of how we achieve this.**

**The Operating Licence should contain reporting requirements that focus on outcomes achieved by the Water Quality Management System (that is, high quality drinking water).**

Sydney Water regularly tests drinking water to confirm it is always at a high standard. We will continue to publish these results on our website in our *Quarterly Drinking Water Quality Reports* and provide information to customers in their bills. Quality of drinking water will also continue to be reported to NSW Health and IPART.

Sydney Water supports the retention of regulatory reporting requirements for drinking water that focus on the quality and safety of the drinking water customers receive. This would align with both our objectives as a corporation under the *Sydney Water Act 1994*<sup>4</sup> and the requirements of NSW Health.

The primary objectives of Sydney Water's current Five-year Drinking Water Quality Management Plan are:

- to set the strategic direction for Sydney Water to manage drinking water quality in its drinking water systems
- to document the strategies for managing drinking water quality under the 12 element structure of the ADWG.

A required output of the ADWG Framework is to produce a drinking water quality improvement plan. Therefore, there is no need to retain a separate Operating Licence obligation to do this.

Community involvement and awareness is one of the twelve elements of the ADWG. Customers should be able to readily access information on the quality and safety of water they receive and the context of how Sydney Water achieves this. However, the water quality improvement plan is not the best document to provide this information to a public audience, as the plan often contains highly technical subject matter and, at times, commercially sensitive information.

Sydney Water is currently developing a 'roadmap' document outlining how we meet the ADWG framework. We are planning to refer to this document as our Drinking Water Management Plan, as it will address quantity, as well as quality, components. We will make the Drinking Water Management Plan available on our website to provide visibility of our systems and processes to manage drinking water quality. Customers are keen to know the quality and safety of the water they receive. As such, it is important to us to provide them with readily available information on the quality and safety of water they receive and how Sydney Water achieves this.

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<sup>4</sup> *Sydney Water Act 1994*, Part 6, Division 1 section 21 (1)(b)

We are also redesigning our internal management system for drinking water services to better align it with ISO requirements. The new design will continue to ensure all the ADWG elements are addressed. IPART will be able to assess the effectiveness of the Water Quality Management System through the licence auditing process and we are happy to be audited by IPART or subject matter experts on any part of this system, including the improvement plan.

### 3.5 Drinking and recycled water quality risks

7. Are there any other obligations that should be included in the operating licence to address the risks associated with drinking water or recycled water quality?

**No.**

A requirement in the Operating Licence for Sydney Water to implement and maintain a certified water quality management system would provide robust and sufficient safeguards for drinking water **and** recycled water quality.

## 4 Infrastructure

### Key messages

#### Asset Management System

- Sydney Water supports a transition from our current requirement for an asset management framework to a requirement to develop and implement a certified Asset Management System. This is consistent with internationally recognised leading practice in asset management.
- An appropriate standard to use is the recently released ISO 55000. We believe our current framework already meets many of this standard's requirements.

#### System performance standards

- Retaining existing performance standards and limits will allow us to continue to provide services to customers at a level that they value, while providing scope to pursue opportunities to make cost savings.
- Our service and asset management approach sets investment in asset repair and renewals at the lowest life cycle point to balance service, cost and risk outcomes.
- Sydney Water has been tracking customer satisfaction with the way we manage our water and wastewater systems for a number of years. Our surveys show that we are achieving high levels of satisfaction with our asset management approach and getting results that customers value.
- We will continue to monitor customer satisfaction on an ongoing basis to identify areas for improvement and ensure any changes to how we manage our systems continue to meet customer needs and expectations.
- We are seeking minor changes to some definitions and compliance measures.
- Response times for breaks and leaks are not a measure of infrastructure performance or leakage, or customers' perceptions of value. These would be more appropriately classified as a performance indicator and should be moved to the Reporting Manual.
- Any other changes or additions to the system performance standards should be based on robust evidence of how this would benefit customers, or why the minimum level of service needs to be changed.

#### Priority Sewerage Program

- We support IPART's suggestion that, from July 2015, the PSP not be delivered through the Operating Licence. The licence is meant to reflect minimum standards for servicing our broad customer base, not be a vehicle to deliver specific, localised programs.
- There are other mechanisms available to Government to deliver the PSP. We are happy to work with Government to explore alternative options.

This section of our submission addresses IPART's issues and questions regarding licence obligations relating to infrastructure, specifically: introducing an asset management system requirement, some definitional issues, system performance standards (including our views on customer satisfaction), response times for breaks and leaks, and the Priority Sewerage Program.

## 4.1 Asset management

8. Should Sydney Water's operating licence move to a systems standard approach for asset management, as has occurred for other public water utilities?

**Yes.**

9. Is ISO 55001:2014 the most appropriate asset management Standard or is there another standard that we should consider?

**Yes. ISO 55000 is the most appropriate standard – it is the internationally recognised standard for asset management.**

10. Should the operating licence require the Asset Management System to be certified to ISO 55001:2014 or simply be consistent with this Standard?

**We prefer certification as it provides additional benefits at minimal cost. Sydney Water is moving to have certified management systems for all key business processes.**

11. What should be the required timeframe for developing and / or certifying the Asset Management System?

**An appropriate timeframe to develop, implement and certify an Asset Management System would be by the end of the next licence term. This would be consistent with recent requirements on other water authorities.**

12. What are the costs and benefits of moving to a certified system?

**Sydney Water expects that the regular surveillance and certification audits for the management system would replace or reduce the annual asset management obligation audits in the licence. This will benefit both Sydney Water and IPART. Establishing the certified system will involve some initial set up costs. Benefits include increased assurance of robust asset management and reduced business risk.**

13. Should the biennial 'State of the Assets reporting' continue in its current form with the content and format prescribed by IPART in the Reporting Manual or would it suffice for Sydney Water to provide IPART with asset information by providing copies of reports produced as part of the ISO 55001:2014 Asset Management System?

**The current requirement to provide a report on the state of our assets to IPART on every odd numbered year is unnecessarily frequent. We recommend that we provide a report on the state of our assets once every four years, to align with our pricing review periods.**

Sydney Water has an existing asset management **framework**, as required under our current Operating Licence. The framework has been benchmarked against other Australian and international water authorities using WSAA's "Aquamark" asset management benchmarking tool. It has also been reviewed by IPART in annual audits and pricing submission reviews. These audits have described our asset management framework as leading practice in most aspects.

Sydney Water manages all of its water, wastewater, recycled water and stormwater infrastructure using the framework. The framework sets out how we determine:

- levels of service
- delivery of services in a sustainable way, subject to agreed standards
- prudent investment decisions that balance acceptable level of risk with cost and service provision
- a whole of life cycle management approach
- appropriate programs to manage our infrastructure assets (including operations, maintenance and capital investment).

Our asset management framework has served Sydney Water well. A key aspect of the framework is continuous improvement and application of learning from approaches and practices used elsewhere. In early 2014, a global standard for asset management – ISO 55000 – was released. Sydney Water is looking at this standard to identify any potential improvements to our asset management processes, practices and framework.

IPART's preliminary view in its Issues Paper is that the Operating Licence should adopt a systems based approach to asset management, similar to the approach used in recent licences for other public water utilities. This would require a system consistent with the recently released International Standard for Asset Management, namely, ISO 55001:2004. IPART is seeking feedback on whether this system should be certified, or just be consistent with the ISO 55000 requirements.

Sydney Water supports IPART's preliminary view and proposes that the system should be certified to ISO 55000 (or its relevant version at the time). This approach is consistent with our own internal business direction to implement certified management systems for all key business processes. This provides management assurance and reduces business risk.

Our preference is for similar timeframes to those used in the recently reviewed licence for State Water. This would require Sydney Water to be compliant with the relevant ISO 55000 standard by 2019 and gain certification in 2020. While we believe our existing asset management framework already contains most of the elements required by ISO 55001, our proposed timeframe will allow sufficient time to identify any gaps, undertake appropriate work to achieve compliance with the standard, and develop new training materials and other resources needed to fully embrace a management system approach.

#### 4.1.1 Costs and benefits

Our initial assessment suggests our existing asset management framework fulfils many of ISO 55000's requirements. Sydney Water estimates that to align its asset management framework to be compliant with ISO 55000 and then get certification will cost in the order of \$150,000. We do not anticipate any additional ongoing costs, as the system will be based on processes and practices that are already in place.

Sydney Water is audited by IPART annually for compliance with our asset management obligation requirements in the Operating Licence, and at pricing determinations for the consistent application and effectiveness of the asset management framework.

Certification to ISO 55000 should allow a different audit and assurance approach to be taken that is less resource intensive and provides greater assurance for both Sydney Water and IPART. We expect that any additional ongoing certification costs associated with an AMS would be offset by reduced costs associated with our current asset management auditing and reporting requirements.

A certified system would provide a high level of assurance to our customers, regulators and stakeholders that Sydney Water's systems and processes are managed according to international standards, while facilitating improvements and efficiencies in the provision of services to customers.

Please refer to Appendix 2 for a more detailed discussion of costs of management systems.

## 4.1.2 State of the assets report

The Reporting Manual requires Sydney Water to provide a report on the state of our assets to IPART on every odd numbered year (that is, every two years). Sydney Water has traditionally met this requirement by preparing a report entitled the State of the Assets Report. For the 2014 report, we are exploring a greater focus on services, to highlight how our assets are an input to the more important outcome of delivering services to our customers.

After implementing a certified AMS, we envisage that we will still prepare this type of report for internal business purposes, even though it is not a requirement of the AMS.

We recommend that the Reporting Manual retain a requirement to provide a report on the state of our assets (or how our assets contribute to servicing customers) to IPART, but that the frequency is amended to once every four years, to align with our pricing review periods. Implementing a certified AMS will provide confidence to IPART that we are managing our assets effectively, allowing for a more outcomes-focused approach to regulation. In line with this, a report every four years should suffice.

## 4.2 Definitions

### 4.2.1 Unplanned water interruptions – definition

14. Should the definition of an “unplanned water interruption” be made consistent with Hunter Water’s to exclude interruptions resulting from third parties or power failures? If so, should the target level decrease to reflect this exclusion?

**The Operating Licence system performance standards are used to define minimum levels of service or performance required of Sydney Water. Therefore, the system performance standard should relate to events that are within Sydney Water’s control.**

**In principle, we support the definition being made consistent with that used for Hunter Water. However, if the definition is amended, there is no need to amend the target level. The number of interruptions caused by third party damage and power failure is a relatively small component of unplanned interruptions experienced by our customers.**

**We will still continue to pay rebates to customers who experience an unplanned interruption caused by a third party or power failure.**

**We note that there is currently misalignment between the definitions used in Sydney Water’s Operating Licence and Reporting Manual.**

There are different definitions for “unplanned water interruption” in the Operating Licence and Reporting Manual. The Issues Paper question appears to be seeking comment on the definition used in the licence.

The current definition of an unplanned water interruption under clause 14.1 of the Operating Licence is:



*Unplanned water interruption is an event which:*

- (a) commences when the supply of drinking water at the first cold water tap of a property is interrupted without the customer or consumer having received prior notice of that interruption from Sydney Water (and includes an interruption resulting from damage caused by a person, other than Sydney Water, or from a power failure)*
- (b) ceases when a normal supply of drinking water is restored to the property referred to in paragraph (a).*

For performance indicator reporting purposes, Appendix C of the Reporting Manual contains this definition:

***Unplanned water interruption*** means an interruption in which an occupier of a property has not received at least 24 hours notification of the interruption or an interruption that has occurred prior to the expiry of any notice provided to an occupier advising of an interruption. It also includes outages where the duration exceeds that originally notified. In this case the entire outage is classed as unplanned.

It may be preferable for these terms to be consistently defined in the Operating Licence and Reporting Manual, to clarify Sydney Water's reporting requirements to IPART.<sup>5</sup>

Sydney Water has rigorous system configuration and contingency planning measures to ensure that power outage impacts on water interruptions are rare (almost nil). We have a close working relationship with energy authorities to ensure the restoration of power within two hours, which is well within the five hour duration period defined in the standard for single event interruptions. It would take an emergency level incident for Sydney Water not to be able to provide water to customers due to a power outage.

Historically, interruptions caused by third parties affect, on average, around 1000 properties a year. This is 2.5% of the number of interruptions allowed under our existing target level. Of course, the number of events and subsequent properties affected varies from year to year, and is difficult to estimate going forward, as these events are largely beyond Sydney Water's control.<sup>6</sup> As this is typically a relatively small component of unplanned interruptions experienced by our customers, we do not feel there is any value in amending the target level.

In practice, our targets are effectively tightening each year, due to external factors such as growth in our overall customer base and increasing urbanisation. However, we are not seeking any changes to target limits as part of this licence review. (This is discussed further in section 4.3 of this submission.) Our general view is that any changes to system performance standards, including targets, should be based on robust evidence of how the change would benefit customers, or why the minimum level of service needs to be changed. There is not a strong case for change in this instance.

Sydney Water intends to continue to pay rebates to customers who experience an unplanned interruption caused by a third party or power failure.<sup>7</sup>

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<sup>5</sup> We note that there are also some variations between definitions used for planned interruptions in the Operating Licence, Reporting Manual and the Customer Contract.

<sup>6</sup> This number of events and subsequent properties affected can fluctuate quite significantly from year to year. In 2013-14, there were 24 events where 1528 properties experienced an interruption greater than five hours caused by a third party. However, in the preceding year, there were only six events that affected 209 properties. These events are largely beyond our control, so we cannot estimate their number and the properties that may be affected. It is rare for a property to experience more than one unplanned interruption caused by a third party in any given year.

<sup>7</sup> The Customer Contract defines unplanned interruption as "an interruption that is caused by a fault in our water system or a fault that is our maintenance responsibility and no notice has been given to you". We pay rebates to customers who experience an unplanned interruption for over five hours, as well as for planned interruptions. This includes payment of rebates for interruptions that have been caused by a third party.

## 4.2.2 Sewage overflows – definition

15. What would be the impact of removing the word 'uncontrolled' from the definition in the licence of sewage overflows? Should any sewage overflow affecting private property be counted?

**Removing “uncontrolled” from the definition would create confusion between uncontrolled and directed overflows. Uncontrolled overflows result from a blockage or collapse of a pipe in the reticulation wastewater system. Directed overflows occur from designed overflow points. They are positioned at predetermined locations and serve to prevent overloaded or blocked sewers from discharging at sensitive locations that could endanger public health and / or cause environmental damage.**

**The system performance standard should apply only to the former.**

**All sewage overflows on private property are uncontrolled overflows and are counted under the existing standard.**

The following definition of an uncontrolled sewage overflow is included in clause 14.1 of the Operating Licence:

*Uncontrolled sewage overflow is a sewage overflow that is not a controlled sewage overflow and will be taken to have commenced on the earlier of the following:*

*(a) when a person notifies Sydney Water that a property (which may include a public property) has experienced a sewage overflow which Sydney Water confirms is an uncontrolled sewage overflow*

*(b) when Sydney Water’s systems (which may include modelling undertaken by Sydney Water) identify that a property (which may include a public property) has experienced an uncontrolled sewage overflow.<sup>8</sup>*

The Operating Licence also includes a definition of a controlled sewage overflow in clause 14.1:

*Controlled Sewage Overflow is a sewage overflow that is directed by Sydney Water via a designed structure to a predetermined location such as a stormwater system or waterway in order to prevent overloaded or blocked sewers from discharging at sensitive locations, on private property or within buildings thus endangering public health or causing a public nuisance.<sup>9</sup>*

For regulatory consistency, references to “controlled” overflows could be replaced with “directed” overflows, to be consistent with the terms and intent of the Environment Protection Licences (EPLs) issued to Sydney Water by the Environment Protection Authority. For example, the definition under 14.1 of the Operating Licence could be amended to state:

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<sup>8</sup> The June 2010 version of the Reporting Manual contained an almost identical definition (with some insignificant variations in wording), but this was removed in the July 2013 update by IPART. (IPART can update the Reporting Manual within the term of the Operating Licence, without approval from the Governor.)

<sup>9</sup> The definition of a controlled sewage overflow has been retained in the July 2013 version of the Reporting Manual. The Reporting Manual definition is, essentially, the same as the definition in the licence.

*A directed overflow is an overflow that discharges from a designed and constructed relief structure in the wastewater reticulation system to allow wastewater to discharge at a planned location to prevent wastewater overflowing into homes, businesses and other sensitive locations.*

### **The licence should retain a clear distinction between uncontrolled and directed events**

The sewage overflow system performance standard in the licence relates to dry weather overflows experienced by properties. Clause 3.3.3 of the Operating Licences states that:

*Sydney Water must ensure that:*

*(a) no more than 14,000 properties (other than public properties) experience an uncontrolled sewage overflow in dry weather in a financial year and*

*(b) no more than 175 properties (other than public properties) experience three or more uncontrolled sewage overflows in dry weather in a financial year.*

This only includes overflows that result from a failure of Sydney Water's wastewater system, not surcharges that may occur from a blockage within a customer's private plumbing.

All dry weather sewage overflows onto a private property are uncontrolled and count towards the existing overflow standard. In this regard, removing the word 'uncontrolled' from the licence system performance standard would have no impact on the existing standard, and would not change the number of properties affected or reported to IPART by Sydney Water.

However, as is common practice all over the world, Sydney Water's wastewater system is designed with overflow relief structures that activate when the capacity of the system is exceeded (for example, during large wet weather events) or if there is a malfunction in the system (such as a pumping station failure). These overflow structures are referred to as "controlled" overflows in the Operating Licence but are generally known as, and are defined in Sydney Water's EPLs as, "directed" overflows.

Directed overflows are designed to flow into stormwater systems or waterways to ensure that wastewater is rapidly diluted and the potential for human contact is minimised. The nature of the environment required to rapidly dilute directed overflows means that directed overflows are always designed to occur on public land. Sydney Water never designs a directed overflow to release on private property. Hence, it is appropriate that public properties are excluded from this standard in the Operating Licence as overflows on public land are controlled overflows and are necessary to minimise risks to public health.

There should be a clear distinction in the licence between overflows onto private property and directed overflows used to effectively manage the wastewater system. Having two definitions helps to distinguish between these two types of events that are not always well understood by the public.

### 4.3 System performance standards

16. Do the current system performance standards (measures and levels) align with customer expectations and preferences or should we consider changing or adding to these standards?

**Sydney Water believes that our performance against the current standards meets customer expectations.**

**Sydney Water is not seeking any changes to system performance standard limits as part of this review. We are seeking some minor changes to compliance measures and definitions.**

**This will allow us to continue to provide services to customers at a level that they value, while providing scope to pursue opportunities to make cost savings. We would pursue these opportunities where we believe there is an overall benefit to customers.**

Sydney Water currently performs well within the limits of the system performance standards. Our asset management and planning process considers both asset capability and service outcomes to determine appropriate servicing strategies and investment in new assets, maintenance programs and renewal projects. In parallel, we monitor customer satisfaction with our approach.

Retaining the current system performance standards will provide scope for Sydney Water to explore opportunities to provide greater value to customers through a different balance of customer service, system performance and cost decisions. Effectively, this means we would try to drive our systems harder and use existing capacity, rather than spend money on pre-emptively upgrading our assets. We would pursue this where we believe there is an overall benefit to customers. We acknowledge that customer preferences may also change over time. Ultimately, the licence conditions should not force Sydney Water to improve performance where the increased cost of that improvement exceeds the benefits to customers. Such expenditure would not provide good value to our customers and could prevent Sydney Water from keeping bills as low as possible.

Exploring these opportunities may result in an unexpected minor decrease in actual performance, compared with performance over the past five years; however, we would still meet all current licence limits. We note that this may not result in a proportional decline in service experienced by customers, as they may not notice or experience the impact of the asset failure, or Sydney Water could provide an alternative service through other means. Our proposed five year capital investment program is based on plans to continue to drive the optimisation between system performance, customer service and cost and assumes the continuation of existing licence limits.

Any utility's performance in a given year is affected by external factors, such as climatic conditions. If Sydney Water seeks to drive its existing systems harder, this will reduce the margin between actual performance and the limits contained within the licence standards. This puts us at greater risk of suffering a breach of the Operating Licence from an external event outside of our control or an unexpected failure during a planned maintenance activity.

Examples of other factors that can impact performance include: population growth, urban development, safety requirements, traffic congestion, aging assets and increasingly congested underground infrastructure, which restricts access to our infrastructure and increases repair times. Indeed, the combined effect of these external factors means that our licence standards are, in practice, automatically "tightening" each year. The Operating Licence system performance standards should allow for these external factors and events.

### 4.3.1 Customer satisfaction with our current performance is high

For many years, Sydney Water has had in place a leading customer research program that tracks customer satisfaction with the way we manage our water and wastewater services.

Through a combination of ongoing and periodic surveys, we identify the activities and interactions that have greatest impact on customer perceptions of Sydney Water’s services and the value for money that we provide to customers. We also ask customers to rate our performance in managing the water supply and wastewater systems.

The results shown in Figure 2 and Figure 3, below, show a steady improvement in residential customer ratings of water and wastewater supply management. Interestingly, the highest ratings in our 2013 survey came from customers who had experienced a service fault.

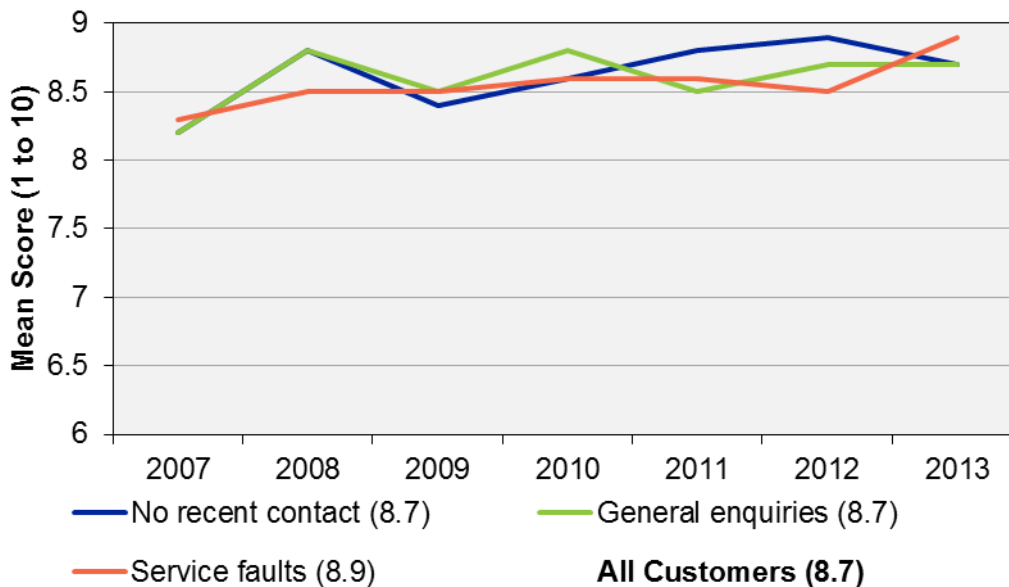


Figure 2 Customer satisfaction with reliability of the water supply<sup>10</sup>

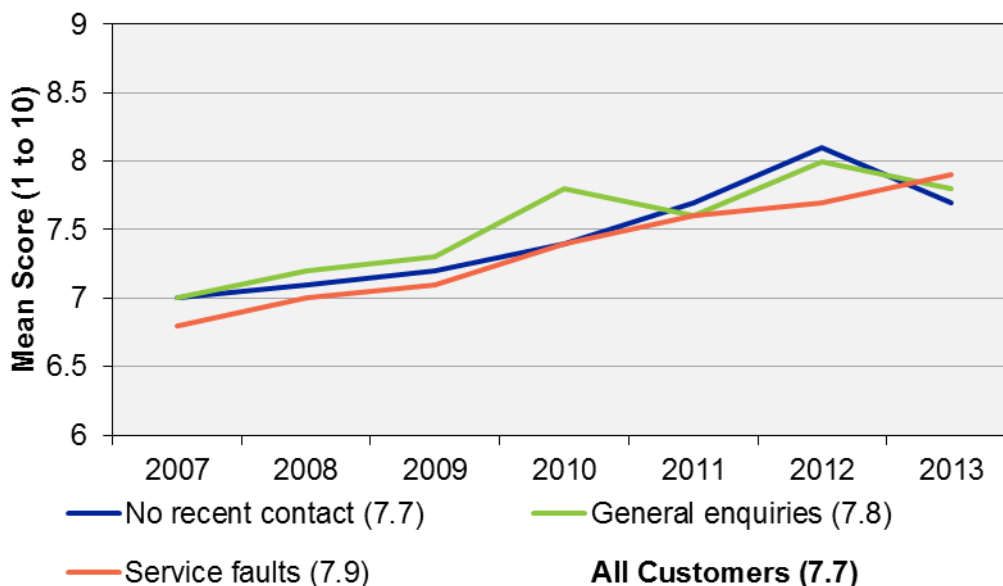


Figure 3 Customer satisfaction with provision of an efficient and effective sewerage system<sup>11</sup>

<sup>10</sup> Sydney Water’s Customer Relationship Study, 2007 - 2013

<sup>11</sup> Sydney Water’s Customer Relationship Study, 2007 - 2013

We have also engaged with business customers to determine their attitudes towards services provided by Sydney Water. The outcomes of this engagement are shown in Figure 4, below.

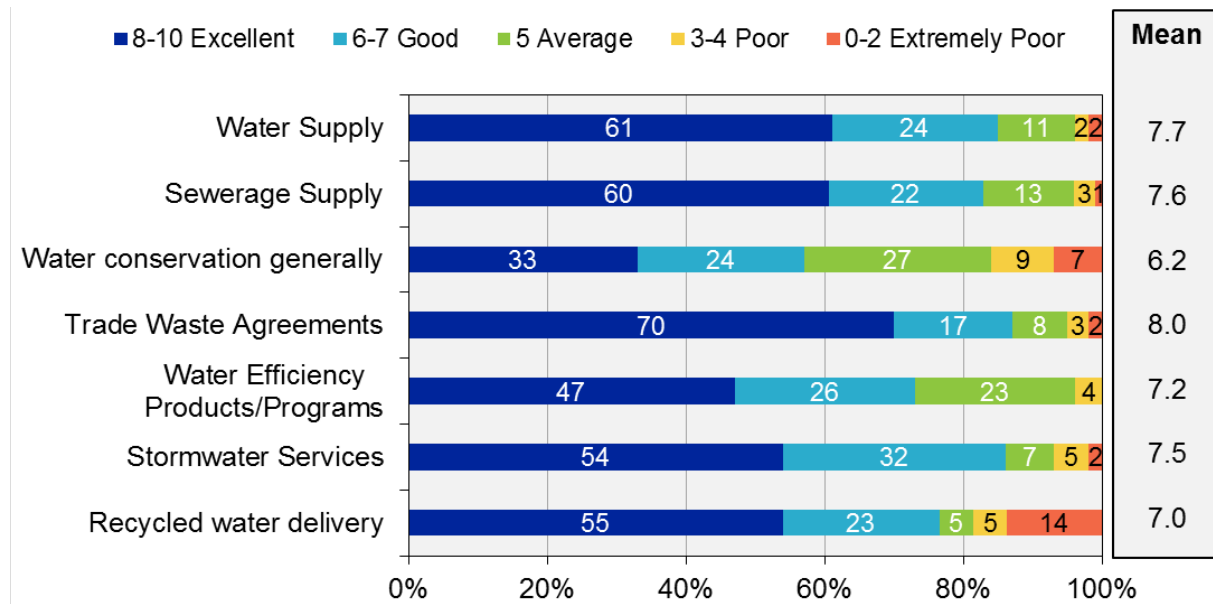


Figure 4 Performance ratings of different aspects of Sydney Water by business customers<sup>12</sup>

We undertake targeted post-contact surveys of customers who have had a recent interaction with Sydney Water. This includes a weekly telephone survey of 50 customers (totalling 2400 respondents each year) who have experienced a service fault that was Sydney Water’s responsibility. We ask these customers to rate our performance overall and provide feedback on a number of different aspects of our service when rectifying the fault. The latest results from this survey, based on data from January – March this year, are provided in Figure 5.

<sup>12</sup> Business Customer Relationship Study 2011. While these results come from an online survey, the residential customer ratings in Figures 2 and 3 are based on a telephone survey. This means the findings are difficult to compare, as people use rating scales differently when they see them to when they hear them (when viewed, people tend to use a greater range of the scale).

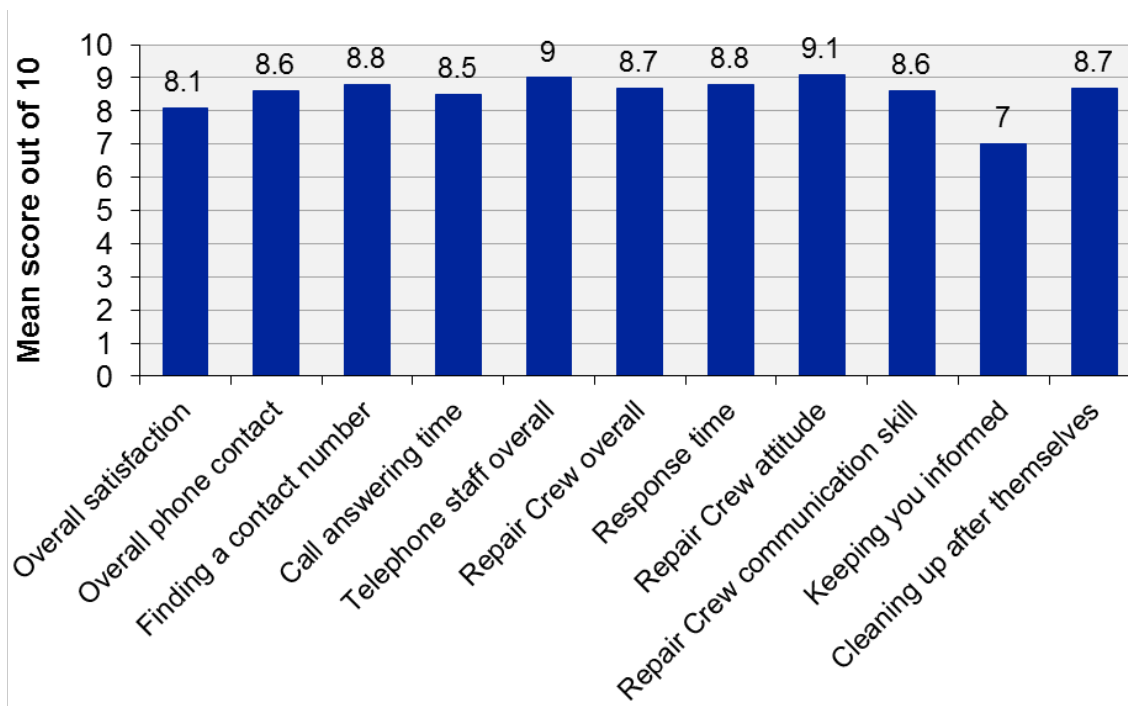


Figure 5 Sydney Water's customer survey results as a mean score out of 10 (January to March, 2014)<sup>13</sup>

These findings indicate that, overall, we are achieving high levels of satisfaction and getting results that customers value. When compared to survey ratings from other service-based industries, our results range from high to very high (with the exception of keeping customers informed). The results also emphasise that customer satisfaction is driven by a variety of service elements beyond the repair of the physical asset.

Sydney Water is using these findings, along with other sources of customer insight and engagement, to identify how we can improve our services and interactions with customers, for example, improving how we keep customers informed when a repair is finished.

#### 4.3.2 Customer survey to inform this submission

As part of developing this submission, Sydney Water commissioned an online survey to help inform our positions on system performance standards and environmental reporting requirements. The survey made it clear that cost savings could be achieved if Sydney Water's performance moved closer to current licence limits. Appendix 4 provides the detailed results.

In summary, the findings indicated that customers were neither wholly in favour nor wholly against accepting potential increases in a short-term loss of water pressure or supply. Key insights were:

- engagement was high on these issues – more than 90% of respondents had an opinion about at least one of the possible interruptions
- nearly twice as many people (around one third in total) stated they would be happy to accept an increased likelihood of both a temporary pressure reduction and a supply interruption, compared to those who would not be happy to accept either
- for respondents who said they would be happy to accept an increased likelihood of only one type of loss of service, twice as many valued continuity of supply (that is, no increase in interruptions) over a potential drop in pressure.

<sup>13</sup> Service Faults Tracking Study, ongoing weekly survey since 1998, The Rothcorp Group. Based on analysis of results from January to March, 2014.

This type of survey provides some insight into the views of respondents at a particular point in time. For our ongoing surveys, we can track responses to see how attitudes change (or not) to particular events or context, and can use these results to track trends over time. (This is a preferable method of gauging customer sentiment on a particular issue.)

These results, along with analysis of our existing sources of customer insight, were taken into account in our decision to support the retention of existing system performance standards. We will continue to engage with our customers to better understand their preferences and expectations.

#### 4.3.3 Future scope to reconsider Operating Licence standards

The current system performance standards are asset-based standards that refer to a single aspect of customer service, for example, duration of a water interruption. There are many other aspects that contribute to the customer service experience, such as keeping customers informed of when a fault will be fixed, providing alternative methods of service during an outage (for example, bottled water), implementing effective on-site coordination to work with customers to minimise convenience to them, restoration of the site, informing customers when a fault has been rectified and advising them about what the problem was and the likely risk of it happening again. The results of our service faults study demonstrate how important these aspects of customer service are in terms of overall satisfaction (see Figure 5 above). In 2013 we also engaged a consultant to develop a Customer Experience (Value) Map of the service faults process. This confirmed that non-asset based aspects of customer service are very significant to our customers.

As a long-term goal, Sydney Water is researching how alternative regulatory frameworks and mechanisms could be used to better recognise these broader aspects of customer service. For example, the Operating Licence could adopt system performance standards that are better aligned to customer service outcomes and expectations, rather than only one aspect of customer service (asset performance). Such potential changes would require detailed understanding of drivers of customer value and the customer experience.

#### 4.3.4 Comparing system performance standards between utilities

Many Australian water utilities have similar types of system performance parameters. However, these standards, and their corresponding target levels, are not uniform, as different regions have different factors that affect asset management performance and the determination of an appropriate minimum level of service for customers. For example, regional differences exist with regard to soil type, climate, network layout, age of assets, customer types, seasonal variations and times of peak demand. Robust benchmarking initiatives acknowledge and take account of the fact that water utilities do not run homogenous networks.

For these reasons, it is difficult to make direct comparisons between utility licences when looking at specific standards and limits. What can be considered in terms of consistency between licences is the regulatory approach adopted for regulating water utilities. For example, Hunter Water's licence excludes peak demand periods from water pressure performance compliance. This means that Hunter Water does not have to implement additional system capacity to meet the demands of short-duration, low-frequency events that could cause them to break this licence condition. Providing this additional capacity could be a significant cost, and would put pressure on customer bills. This exclusion reflects a flexible approach to regulation that acknowledges that the purpose of system performance standard limits is to set triggers to indicate when investment in new assets may be needed, in order to maintain a suitable, ongoing level of service for customers. It is appropriate for regulators to allow for the exclusion of operational events or issues that cause a temporary reduction of service.

Fluctuations in peak demand are more of an issue for the lower Hunter than for Sydney Water's area of operations. As demands on our system are generally more stable than for Hunter Water, we are not seeking this type of exclusion from compliance limits for our system performance standards. Instead, we are seeking an amendment to the duration of a defined water pressure



failure and the ability to exclude unplanned events that occur during periods of planned maintenance. This is consistent with a risk-based, more outcomes focused regulatory approach. These concepts are further discussed below in sections 4.4.2 and 4.4.4 of this submission.

#### 4.4 Water pressure standard

A water pressure failure is defined under clause 14.1 of the Operating Licence as:

*a situation in which a property experiences a pressure of less than 15 metres for a continuous period of 15 minutes or more measured at the point of connection of the property to Sydney Water’s water supply system, usually at the point of connection known as the ‘main tap’.*

Sydney Water’s water pressure performance is well within the licence standard, which requires no more than 6000 properties to experience a water pressure failure in a financial year, as seen in Figure 6, below.

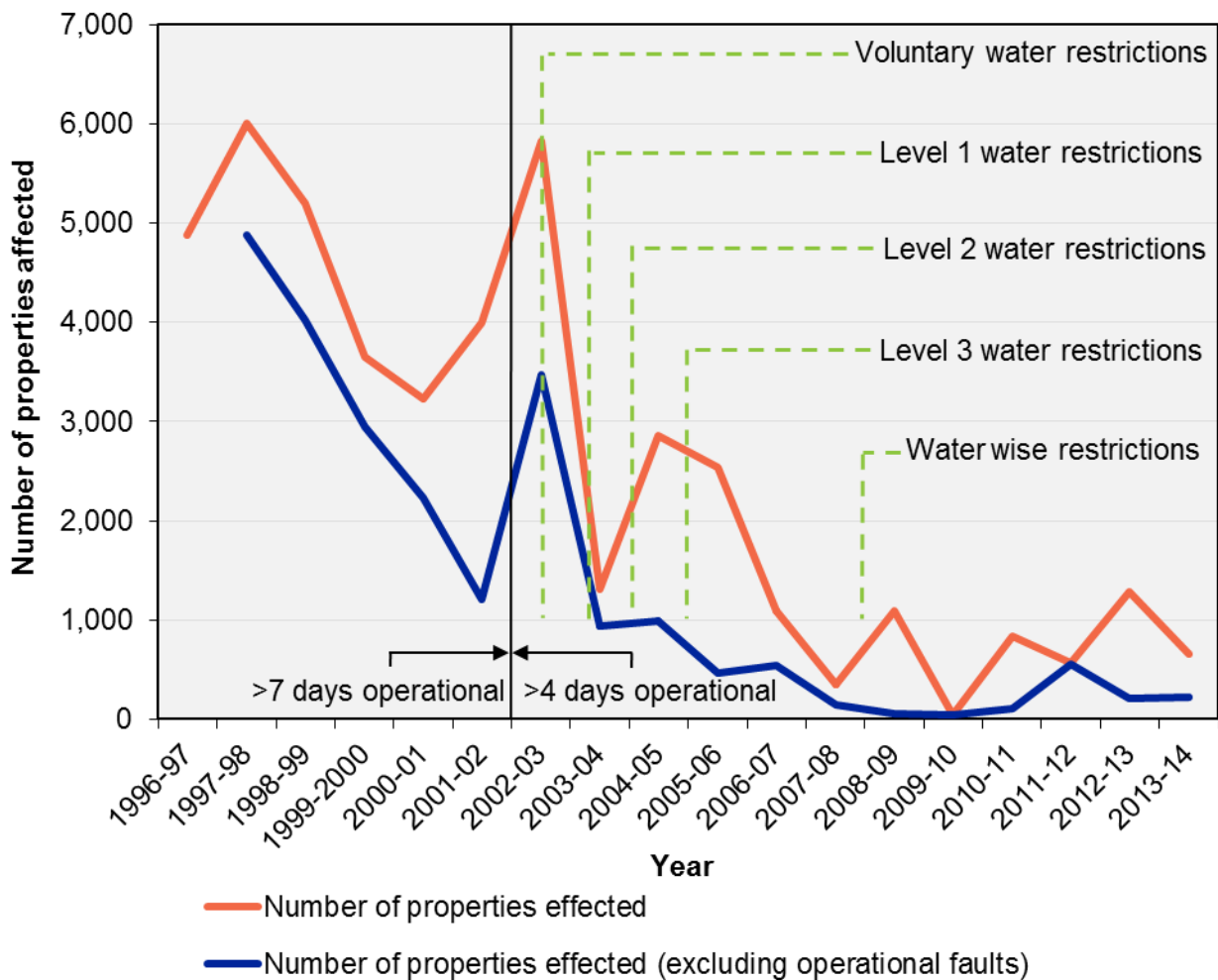


Figure 6 Sydney Water’s long-term performance against water pressure standard

#### 4.4.1 Customers experiencing chronic low pressure

The water pressure standard in the Operating Licence (clause 3.3.1) covers all instances where a customer may experience a loss of pressure. In most cases, this is for a very short duration; however, there are a number of customers that experience extended low pressure problems (this is mostly in small, localised areas situated at high points of the water distribution network).

Sydney Water has undertaken a Pressure Improvement Program to correct intractable system problems that cause chronic low pressure for customers, where it has been economically viable to do so. We have invested \$9 million in this program, which was completed in 2013-14. About 100 properties still experience these chronic low pressure problems and are recorded as non-compliant against the licence. These properties receive rebates and Sydney Water understands some customers have installed their own booster pumps.

#### 4.4.2 Poor pressure for short durations

Short duration pressure losses in the water supply system generally occur on a high demand day. It is generally the **change** in pressure that is noticed by customers, and, in most instances, the drop in pressure will not be enough to hinder the use of water using appliances.

On high demand days, pressure failures below 15 metres may last for just over 15 minutes or a few hours, generally between the hours around 7 pm to 9 pm. In many cases, customers may not notice that the pressure has reduced. Depending on how low the pressure falls, effects that may be noticed by customers include:

- reduced shower pressure (especially if on the top storey of a two or three storey house)
- reduced diameter of an irrigation spray (such as a garden sprinkler)
- inability to use some instantaneous hot water systems.

A reduction in pressure does not stop the supply of water; rather, the customer experiences a reduction in flow.

As a result of changed customer behaviours after the last drought (resulting from a number of factors, including successful water efficiency initiatives and campaigns), in most cases, Sydney Water's systems currently have significantly more capacity than was previously anticipated would be available at this point in time. This means that Sydney Water can avoid unnecessary capital expenditure and reduce impacts on customer bills by making use of this unanticipated system capacity.

As Sydney Water seeks to keep customers bills as low as possible, we will look for cost efficiencies in how we manage our assets. This means we will drive our water supply system harder to use more of the system's existing capacity, rather than investing in expensive asset amplification to service population growth in existing areas. This means that more customers may experience a short term reduction in water pressure during peak demand periods. We estimate that using the existing capacity within our water supply systems will result in savings of approximately \$3 million each year, due to avoidance and deferral of capital expenditure.

Although we have a reasonable understanding of the effects of low pressure on customers, this insight could be improved. We will do this by continuing to monitor customer satisfaction to ensure performance meets customer needs.

We are seeking two minor changes to the water pressure standard in the licence:

1. to amend the definition to be consistent with design criteria
2. to allow us to seek an exemption for failures that occur during planned maintenance.

#### 4.4.3 Amend definition to be consistent with design criteria

The current definition of a water pressure failure is when a property experiences less than 15 metres pressure for a period greater than 15 minutes. This does not align with Sydney Water's design practice, which uses an approach and criteria common with other Australian water authorities. Sydney Water designs its water network using the maximum demand in one hour, not 15 minutes.

Sydney Water seeks alignment of the licence standard with our design standard, as having two different criteria provides no service or cost benefit to customers.

The difference between maximum demands based on one hour versus fifteen minutes is small, no more than ten per cent, and is unlikely to require the capacity of the local water supply to be increased. However, specifying a shorter duration for water pressure failures in the Operating Licence definition does not create an improved service for customers. We note that our proposed change would result in a minor decrease in the number of customers receiving rebates for water pressure failure.

#### 4.4.4 Allow possibility for exemption for unexpected failures during planned maintenance

During major planned maintenance activities supply systems are under greater stress. These activities are planned in detail and we implement contingency arrangements, where foreseeable, to ensure impacts to services are kept to a minimum and the needs of critical customers (such as hospitals and water dependent businesses) are met. However, during these times, an unexpected main break or pumping station failure (which are high consequence, but low likelihood events) could lead to a high number of customers experiencing an interruption to their water supply or reduced pressure.

We propose an amendment be made to this standard to allow Sydney Water to make a request to IPART to exclude these types of events from our compliance measure, on a case by case basis. This will give Sydney Water flexibility in managing our operations and reduce any need to build additional supply capacity or implement greater contingency that will increase costs. Customers would still receive a rebate if they experience a water pressure failure.

This exemption is being sought for both pressure and continuity related performance standards. However, the standard relating to continuity is more likely to be affected by these types of events.

Some suggested wording for this amendment to clause 3.3.1 of the Operating Licence is provided below:

*Sydney Water may seek an exemption from IPART for water pressure failures that occur due to an unexpected high consequence event during planned maintenance (such as an asset failure while a reservoir is off-line for repairs). This will be assessed on a case by case basis.*

### 4.5 Water continuity standard

We are not seeking any changes to the system performance standard definition or limits for continuity, for single and repeat events. However, we are seeking the ability to request an exemption for major unplanned water interruptions that occur during planned maintenance, discussed in more detail in section 4.5.3 of this submission.

Our current performance meets water continuity licence standards, as shown in Figure 7 and Figure 8, below.

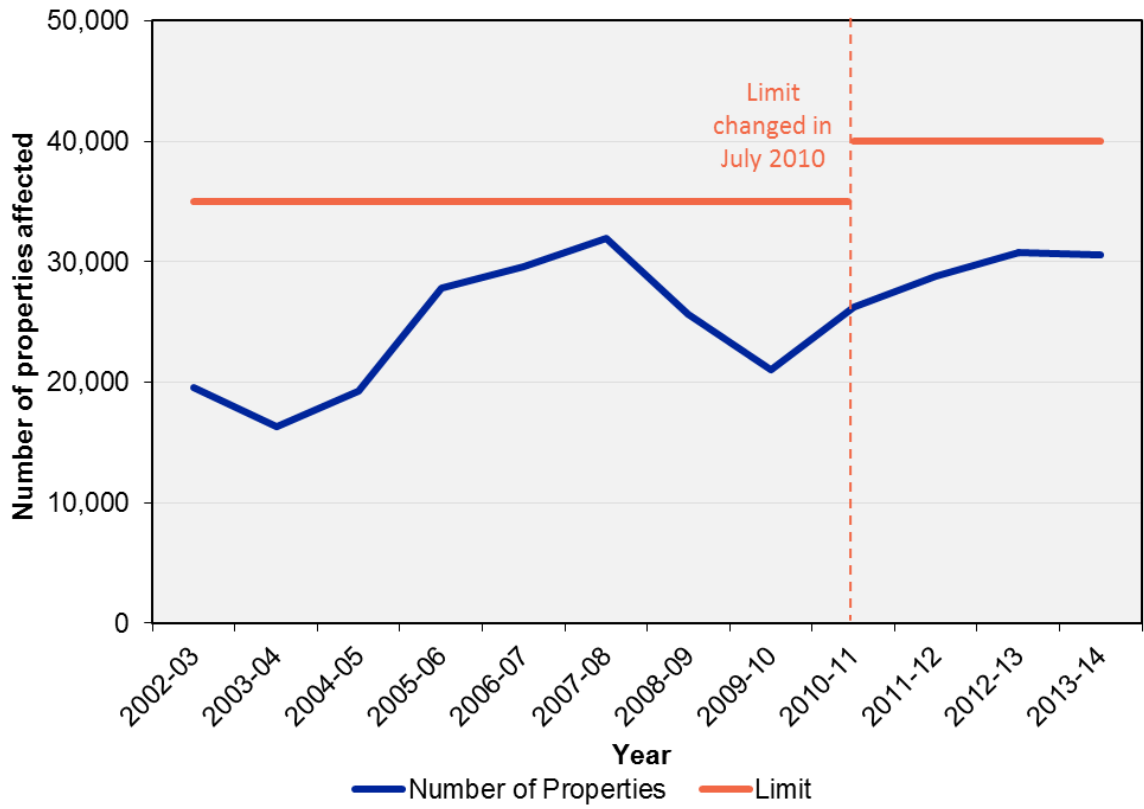


Figure 7 Sydney Water’s long-term performance against water continuity standard for properties affected by an unplanned interruption for more than five hours

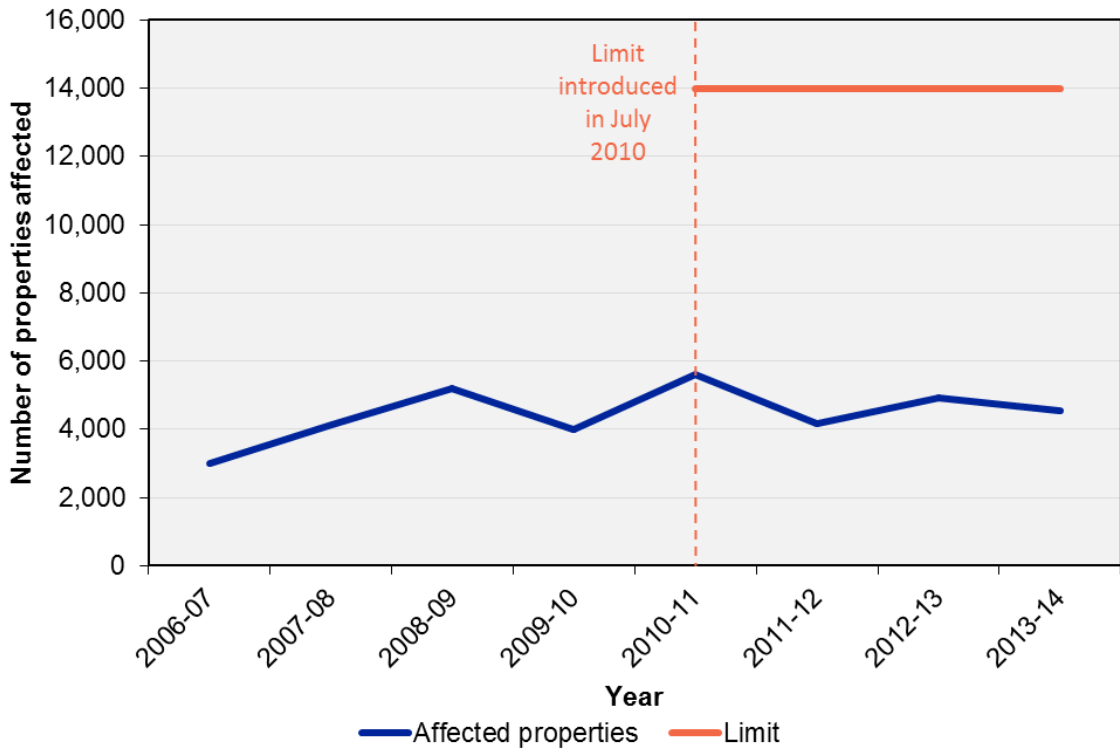


Figure 8 Sydney Water’s long-term performance against water continuity standard for properties affected by three or more unplanned interruptions for more than one hour

### 4.5.1 Customer insight regarding interruptions

Customers understand that services can fail from time to time. They become dissatisfied when failures continue happening, especially after experiencing more than three failures.<sup>14</sup>

Surveys also indicate that acceptability of interruptions falls below 50% when a customer's service is interrupted for longer than 5 hours. Willingness to accept interruptions also decreases as the customer experiences repeat failures.<sup>15</sup> As would be expected, for events of any duration, customers' tolerance is generally higher for planned interruptions than for unplanned events.

From an asset management perspective, when a particular part of the water system begins to experience a number of repeat failures, the likelihood of more frequent failures also increases. Sydney Water has found replacing a main, instead of repairing it, to be generally more cost-effective after the main has experienced three failures within a two year period.

Our surveys also indicate that customers understand that when a water interruption occurs, it takes a certain amount of time to rectify the fault and restore service to the customer. Overall, our satisfaction ratings for response times are high.

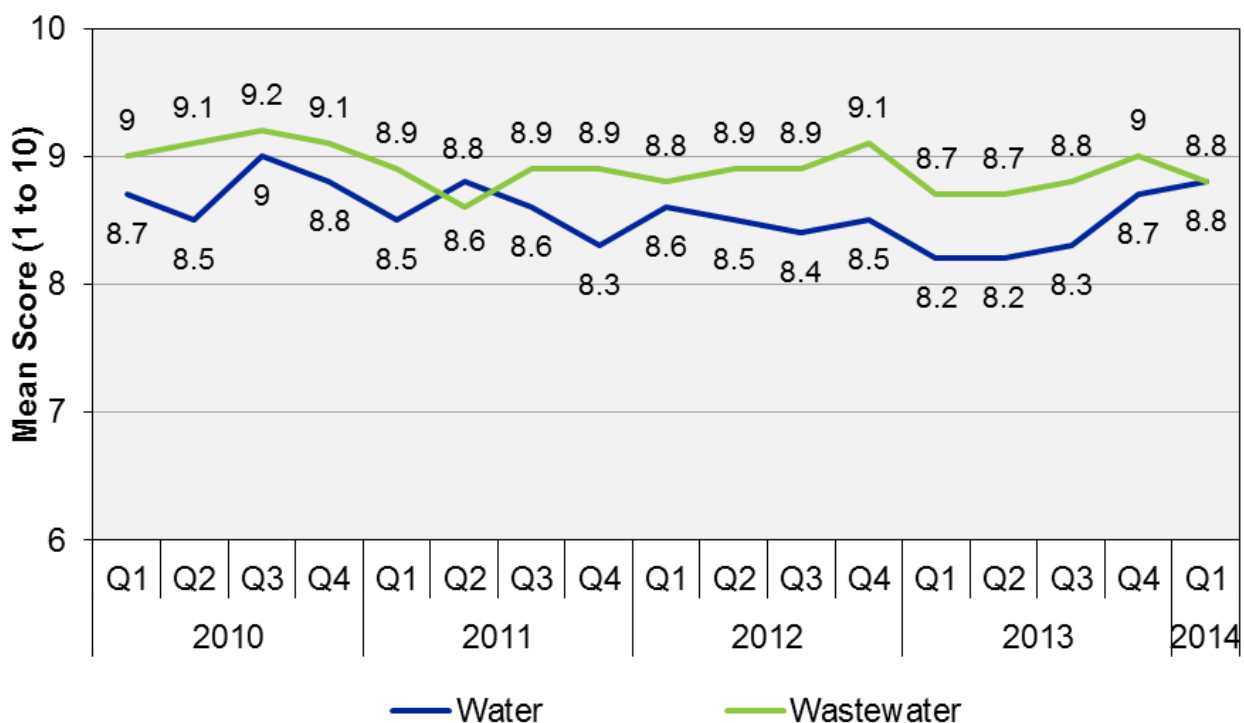


Figure 9 Customer's overall satisfaction with the response time of Sydney Water's repair crew<sup>16</sup>

As the length of time taken to respond to incidents increases, customers' willingness to accept this falls. These results are consistent with surveys done by other water utilities across Australia.

<sup>14</sup> Sydney Water Service Standards Study, September 2007, Taverner Research. In general, non-residential customers have a lower tolerance threshold for unplanned interruptions than residential customers.

<sup>15</sup> Sydney Water Service Standards Study, September 2007, Taverner Research.

<sup>16</sup> Service Faults Tracking Study, ongoing weekly survey since 1998, The Rothcorp Group. Based on analysis of 2010-2014 results.

## 4.5.2 Practical limits for water continuity performance

As IPART notes in its Issues Paper, “there are often trade-offs between the level of service provided to customers and the costs of providing this service”.<sup>17</sup> This is certainly true; moreover, these trade-offs are not always proportional. Sydney Water has improved its water continuity performance through a combination of better response management, reducing repeat failures and timely renewal investment.

However, there comes a point where increasing investment may not provide an improved level of service, or an improvement that is commensurate with the additional expenditure. For water continuity, our analysis shows that this natural tipping point occurs after approximately five hours in duration. This concept, termed the ‘water discontinuity frontier’, is illustrated in Figure 10 below.<sup>18</sup>

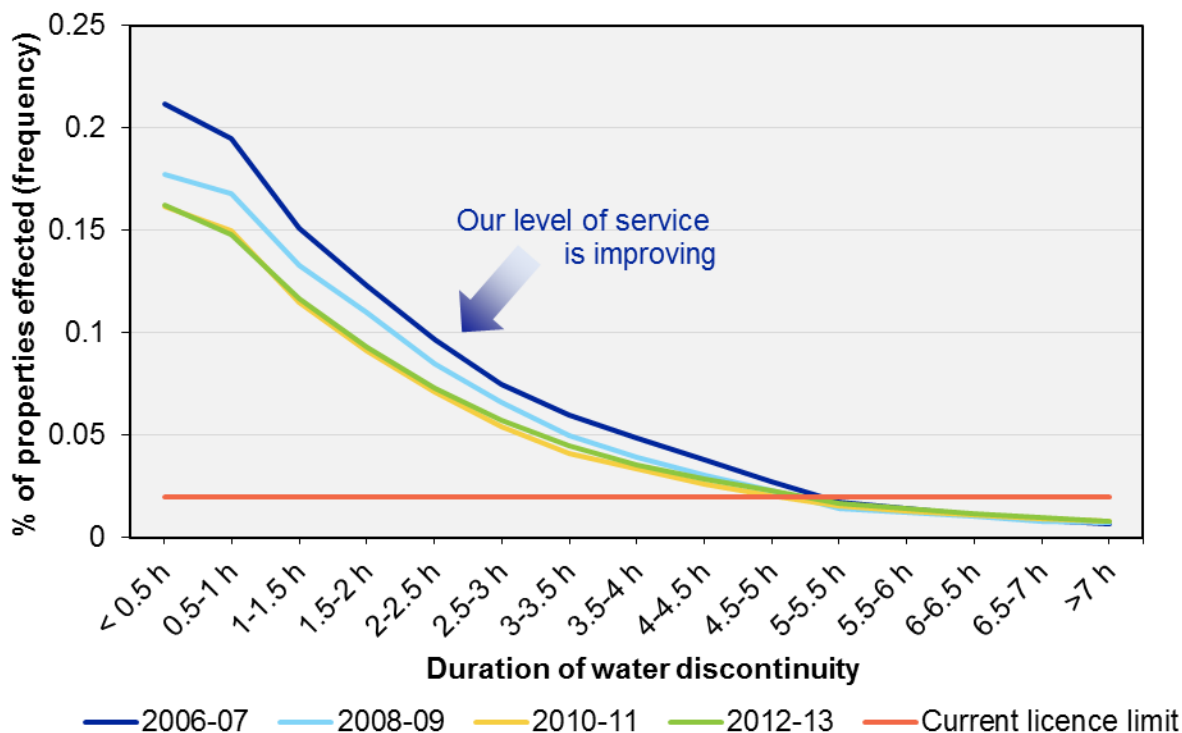


Figure 10 Sydney Water's water discontinuity frontier curve

Figure 10 also demonstrates that Sydney Water appears to have reached a point of efficiency for this level of service, as seen by the marginal difference between results for 2010-11 and 2012-13. The possibility of achieving further improvements in this level of performance would also be severely constrained by practicalities such as travel times and access to the water mains in an increasingly congested urban area.

By leaving the water continuity standard unchanged, there is potential for Sydney Water to save approximately \$15 million annually in our water main renewal programs over the next four years. We estimate that this may result in our actual performance against the standard increasing from 30,000 to around 35,000 water interruptions. This means that an additional 0.3% of customers may experience a disruption to their water supply annually. This remains below the existing limit with some leeway for a significant water main break/s or a prolonged extreme weather pattern. Our

<sup>17</sup> Review of the Operating Licence for Sydney Water Corporation, Issues Paper, IPART, page 39

<sup>18</sup> This concept is discussed further in Sydney Water's paper on 'Building level of services and customer value into decision making into Sydney Water's asset management strategy'. This paper received the 'Best Review Paper' award at the 2014 national conference of the Asset Management Council of Australia (a technical society of Engineers Australia).

analysis indicates there is around a seven per cent chance of both of these events occurring in each year of the next licence term. This increase in risk is considered to be manageable and worth the benefits of keeping bills affordable.

If IPART were to consider increasing the current limit for continuity, a higher limit would give Sydney Water more scope to explore if further cost savings could be achieved through a re-balancing of service and cost trade-offs. Our analysis suggests that this scope only exists up to a point of 45,000 interruptions of greater than five hours duration. After this point, it is more economical to invest in upgrading the system. We note that Sydney Water is not recommending this increase as part of this review, as we have not undertaken any specific customer engagement work to understand customers' willingness to accept an increase to existing licence limits.

#### 4.5.3 Allow possibility for exemption for unexpected failures during planned maintenance

When Sydney Water undertakes planned maintenance of major assets, such as reservoirs, pumping stations and large mains, we implement alternative operations to continue providing water to customers. These are known as contingency arrangements. The purpose of these arrangements is to ensure impacts to services are kept to a minimum and the needs of critical customers (such as hospitals and water dependent businesses) are met.

However, even with these contingency arrangements in place, the system remains under a generally higher level of stress and increased likelihood of failure compared to normal operational conditions. During these times, an unexpected main break or pumping station failure could lead to a high number of customers experiencing an interruption to their water supply, which could put Sydney Water at risk of breaching its Operating Licence standard for continuity.

To date, we have not experienced a major unexpected event of this type. The infrequent events that have occurred have been within licence limits. However, the likelihood of this type of major unexpected event, while still very low, is increasing, due to growth of our system and changes in the way we manage the system to get the most value from our assets. Implementing additional contingency arrangements that could cater for one of these major but unlikely events would be very expensive.

As noted in section 4.4.4 of this submission, Sydney Water wants to avoid unnecessary expenditure on multiple levels of redundancy to guard against atypical, unexpected events that can occur during planned maintenance. These unexpected events could have extremely high consequence (in terms of numbers of properties affected by an interruption or low water pressure); however, their likelihood of occurring in the next licence term remains very low.

We are seeking an ability to ask IPART for an exemption for properties affected by a major unplanned water interruption that occurs during planned maintenance of large assets. Sydney Water will continue to monitor this issue and capture data in order to develop a quantitative approach for the next licence review. Customers affected by a water service interruption would still receive a rebate.

Some suggested wording for this exemption to the standard set out in clause 3.3.2 of the Operating Licence is provided below:

*Sydney Water may seek an exemption from IPART for unplanned water interruptions that occur due to an unexpected high consequence event during planned maintenance (such as an asset failure while a reservoir is off-line for repairs). This will be assessed on a case by case basis.*

## 4.6 Sewage overflow standard

We are not proposing any changes to targets or measures for sewage overflows, for single and repeat events, as we believe the current standard provides a reasonable indication of customer expectations.

Our performance against these standards is within licence limits. However, climatic conditions can have a significant impact on the number of properties affected by sewage overflows. While our current performance is well below limits, the limits are low and provide little allowance if prolonged dry weather patterns return.

Figure 11 and Figure 12 below show our performance against the system performance standards for total properties affected by sewage overflows and repeat (three or more) properties affected by sewage overflows, respectively.

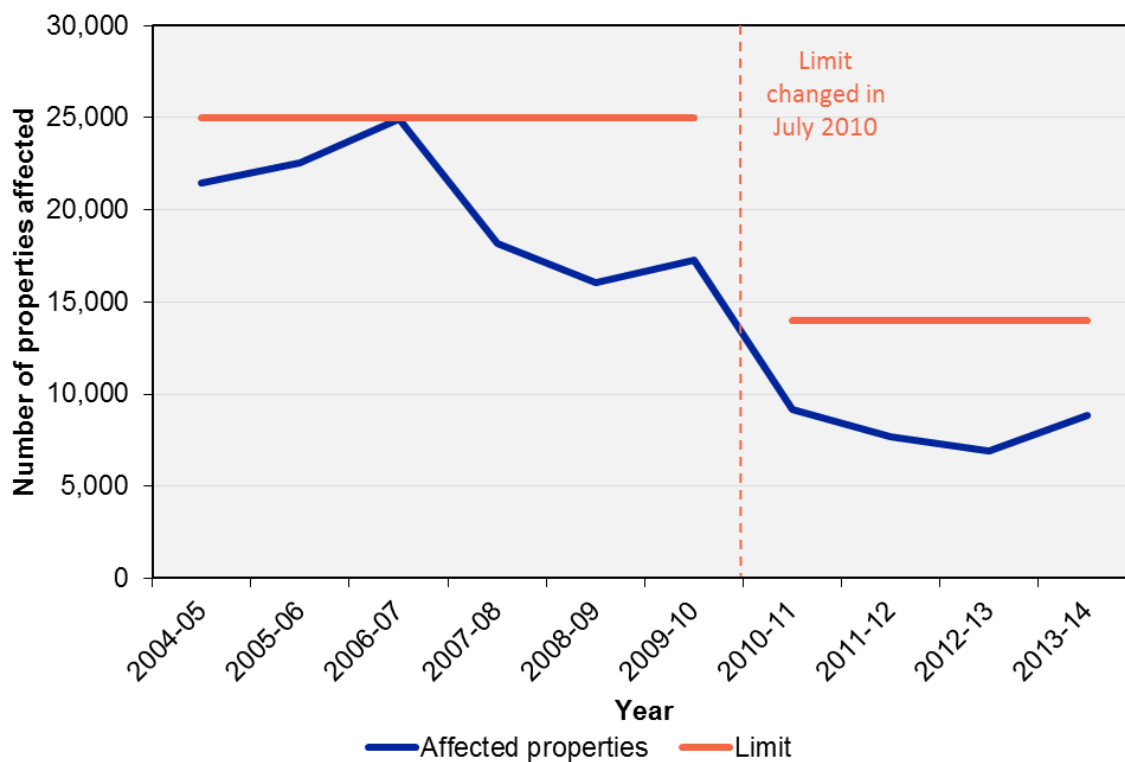
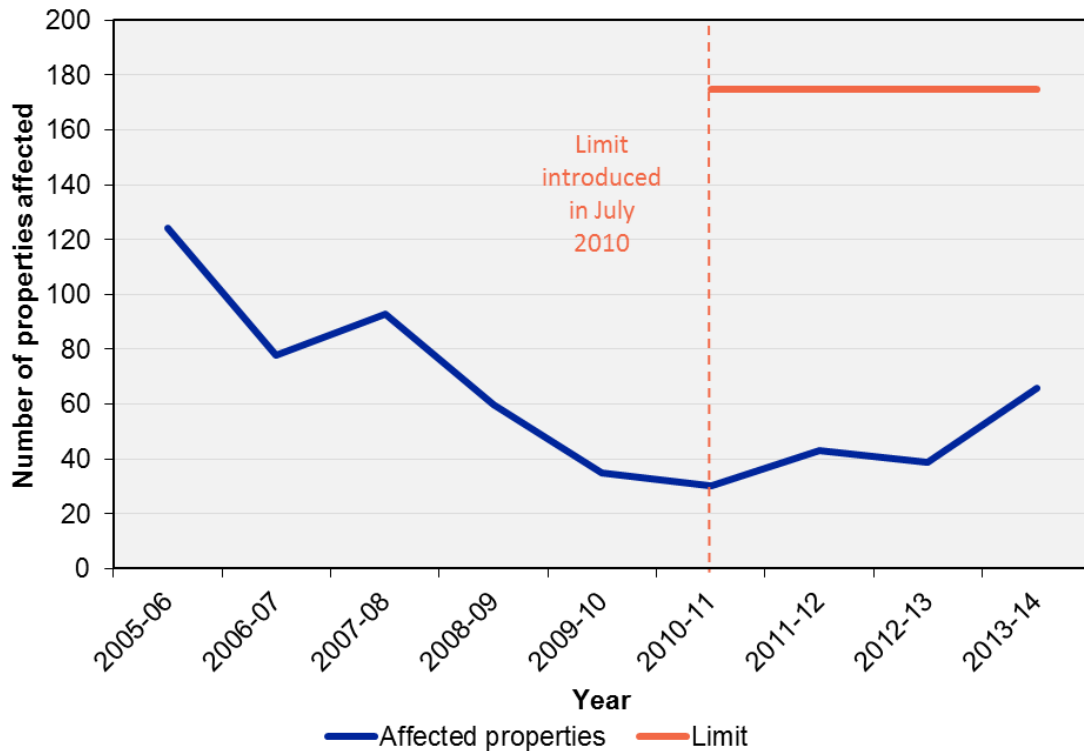


Figure 11 Sydney Water's long-term performance for properties affected by sewage overflows





**Figure 12 Sydney Water’s long-term performance for repeat (three or more) properties affected by sewage overflows**

Our ongoing engagement with customers suggests that they would be unwilling to accept any increase in licence limits for sewage overflows, especially for repeat events. Previous surveys with customers who have experienced a service fault with their wastewater system show that customer satisfaction significantly drops after a customer has experienced more than three wastewater service faults.<sup>19</sup> We note that engaging with customers on wastewater management can be challenging, due to a general lack of understanding in the community about wastewater systems and management. Wastewater services are also not something that many customers think about.

Recent optimisation work has allowed Sydney Water to already make reductions in our sewer renewal program of around \$3 million a year. Ongoing savings in this area have been included in our forward capital investment program. This is based on the assumption that existing system performance standards for sewage overflows will be retained in the next Operating Licence.

<sup>19</sup> Service Faults Tracking Study, ongoing weekly survey since 1998, The Rothcorp Group.

## 4.7 Response times for water main breaks and leaks

17. Should Sydney Water notify IPART of significant asset failures (such as a priority 6 break/leak) within a specified timeframe after any incident?

**There is no need or benefit that could be achieved from notifying IPART of significant asset failures. We already have robust processes in place to notify relevant authorities and ensure restoration occurs as efficiently as possible.**

18. What are the costs and benefits of achieving the main break/leak response time targets?

**It costs Sydney Water around \$30 million a year to repair all breaks and leaks.**

**Response time is one of a number of levers used to manage leakage economically. It is difficult to separate costs associated with response times alone.**

**Benefits from responding to breaks and leaks in a timely manner include cost savings to the business from water lost, and reducing the risk of damage to people, property or the environment. However, Sydney Water would do this as a matter of course to manage these risks.**

**Our proposal to change response times for Priority 5 breaks and leaks will allow greater flexibility in scheduling work and cost savings of up to \$0.5 million a year. Our proposal will defer at most 20% of medium priority break and leak responses with a potential increase in water lost of 0.4 ML/day.**

19. Are the mains break/leak response time requirements still appropriate and reflective of community expectations and customer willingness to pay?

**We recommend re-classifying all response times as performance indicators.**

**If retained as a licence requirement, Priority 5 response times should be changed to the next working day. Meeting the current timeframe can force us to cause inconvenience to customers. We would still assess all reported leaks and provide an appropriate level of response.**

Clause 3.5(a) of the Operating Licence contains the following response times which Sydney Water must meet when responding to leaks or breaks:

*Sydney Water's response to water main breaks and leaks (in the trunk and reticulation components of Sydney Water's drinking water supply system between water treatment plants and a property), as measured from the time Sydney Water receives notification of a break or leak to the time Sydney Water stops the loss of water, will be as follows:*

- (1) Priority 6 breaks/leaks 90% of jobs within three hours
- (2) Priority 5 breaks/leaks 90% of jobs within six hours
- (3) Priority 4 breaks/leaks 90% of jobs within five days.

When our assets fail, Sydney Water has a well-established response and recovery process. In the event of a reported leak or break, this involves an initial (first call) response by an assessor who confirms the failure and its priority, specifies the resources and equipment required to restore supply to full capacity, and who can take immediate measures to restrict the water supply in order to minimise the amount of water lost from the leak or break. In order to make repairs the water supply to the affected pipeline generally needs to be turned off.

We believe our approach provides an appropriate response that balances the loss of water with not causing undue inconvenience for customers. We understand that continuity of supply is especially critical for some customers, such as hospitals, and higher priority is given to restoring the water service in these situations.

The current Operating Licence response time for leaks and breaks is defined as the time taken from when Sydney Water becomes aware of the leak or break to the time the loss of water is **stopped**. This is a measure of when the water supply is turned off, not a measure of the time to repair the leak. This obligation was included in the licence as a response to the 2002-2009 drought, in order to reduce water loss during a time of water shortage and demonstrate water saving behaviour to the community.

The current response time to cease Priority 6 leaks and breaks within three hours is justified. A Priority 6 leak or break is one that can result in a major loss of water and pose an immediate danger to people, property or the environment if left unchecked. We would always cease such events in the shortest possible time to address customer safety and environmental concerns.

We are also not seeking any change to the current response time for Priority 4 leaks and breaks; these types of events are defined as involving a minor loss of water and a flow that does not represent any risk to people, property or the environment. The current time is appropriate, not unduly costly for Sydney Water and does not create inconvenience for our customers.

#### 4.7.1 Recommended change in Priority 5 response times

We are recommending that response times for Priority 5 breaks and leaks be modified to the next working day, rather than 6 hours. This will allow Sydney Water to manage how we respond to these breaks and leaks in a way that balances customer focus and economic justification. Sending a team to repair the leaks during evening meal times or at night in order to meet the current deadline can cause major noise and disruption.

Sydney Water would still send a first call assessor to assess the Priority 5 leak and take any immediate action required. If appropriate, we would respond in a shorter timeframe than the next business day. In other cases, this change would provide Sydney Water with flexibility to repair the leak at a more convenient time for customers. Some Priority 5 leaks will be left to run longer with this approach. Leaks and breaks that are assessed to have safety and / or damage risks will not be deferred.

This also allows for this work to be done at lower cost to Sydney Water (through reduced overtime costs), which will help us keep customers bills as low as possible. We estimate these costs savings would be in the order of \$500,000 a year.

We expect that our proposed change will affect no more than 20% of Priority 5 (medium) leaks and breaks (based on current numbers). This could result in a potential increase in water leakage of 0.4 ML/day, which is less than 0.4 % of our current leakage target of 105 ML/day.

In times of future drought, it may be necessary to stop leaks more quickly in order to meet drought-specific leakage targets. However, Sydney Water considers this would be most appropriately addressed through the Metropolitan Water Plan, not the Operating Licence.

#### 4.7.2 Include response times as a performance indicator only

The performance of water infrastructure is best measured through the water continuity and water leakage standards, not response times. Many other water utilities report the time taken to respond to breaks or leaks and / or to restore supply following water main breaks or leaks as performance indicators. This information is used by the business to measure and improve maintenance practices and reduce costs.

Response times measure only one of the many activities involved in the process of managing water loss and leakage. They are most appropriately used as an internal process measure, adjusted as necessary to achieve leakage targets (regulatory or internal) economically.

Sydney Water's preference would be to report to IPART on response times for leaks and breaks only as performance indicators in the Reporting Manual of our next Operating Licence. This could be done through retention of the current Response Times (RT) indicators included in the Reporting Manual, but with some amended wording, as indicated below in **bold**:

*RT 1 Percentage of Priority 6 breaks/leaks in drinking water mains that Sydney Water **stopped** within 3 hours*

*RT 2 Percentage of Priority 5 breaks/leaks in drinking water mains that Sydney Water **stopped** within the next working day*

*RT 3 Percentage of Priority 4 breaks/leaks in drinking water mains that Sydney Water **stopped** within 5 days.*

This retains the focus of the indicators on when water loss is ceased. Reporting requirements relating to restoration of supply are adequately addressed through our current requirements relating to interruptions.

The Reporting Manual could also retain a requirement to report on the total number of breaks/leaks (and their average repair time) that occur each year. This requirement is currently included in Sydney Water's annual Water Conservation Report to IPART (generally now referred to as our *Water Efficiency Report*).

If our proposals are adopted, the definitions of Priority 6, Priority 5 and Priority 4 breaks/leaks should also be moved to the Reporting Manual (currently, these are listed in Schedule 3 of the Operating Licence itself).

For discussion of Operating Licence requirements for leakage, please refer to section 5.2 of this submission. Appendix 2 provides further detail about how Sydney Water manages and calculates leakage as part of our day to day operations.

#### 4.7.3 No need to provide IPART with notification of events

Sydney Water experiences over 100 significant main breaks each year. Each of these mains is assessed for renewal and, if economically justified, is added to our renewal program.

We already identify and notify all relevant authorities of water main failures and work required to restore services. This includes notifying the Environment Protection Authority (EPA) in the event of potential environmental harm and NSW Health in the event of a potential impact to public health.

We also notify the general public that a significant leak or break has occurred through media channels (including social media) or by responding to enquiries made to our Contact Centre. Affected customers automatically receive a rebate in accordance with our Customer Contract.

Sydney Water considers notifying IPART at the time of the incident to be an unnecessary layer of reporting that would provide no assistance in the restoration of essential services to our customers.

## 4.8 Priority Sewerage Program

20. Should the new operating licence contain any obligations for the Priority Sewerage Program (for example, what, if any, requirements should be included in relation to the outstanding Priority Sewerage Program areas of Yanderra, Austral, Menangle and Menangle Park)?

**No, the new licence should not contain any obligations for the Priority Sewerage Program (PSP). The licence is meant to reflect minimum standards for servicing our broad customer base. It should not be used as a vehicle to deliver specific, localised programs.**

21. Should the Government consider alternative mechanisms to achieve the policy objectives of the Priority Sewerage Program in the remaining areas?

**There are other mechanisms available to Government to deliver this program. We are happy to work with Government to explore alternative options.**

### 4.8.1 Background to the Priority Sewerage Program

There are many existing properties in Sydney Water's area of operations that are not connected to our reticulated wastewater system, for various reasons. These properties typically have onsite wastewater disposal systems. Property owners can either continue to use onsite systems, or seek to transition away from this by connecting to Sydney Water's reticulated system.

The Priority Sewerage Program (PSP) was initiated by the NSW Government in the 1990s. The program provides improved wastewater services to selected existing but unsewered urban towns and villages in environmentally sensitive areas identified at that time by the Environment Protection Authority.

PSP schemes were first delivered by Sydney Water and largely funded through charges from Sydney Water's wastewater customers.<sup>20</sup> From 2005, specific obligations to deliver and plan for PSP schemes were included in Sydney Water's Operating Licence. Using the Operating Licence as the regulatory mechanism to deliver the program has been one way of requiring that Sydney Water's 1.7 million wastewater customers largely pay for sewerage of these PSP villages. By contrast, under IPART's determination of Sydney Water's prices, if other existing unsewered properties outside PSP villages seek to connect to our wastewater system, they need to fund the full cost of this themselves.

To date, the PSP has made improved wastewater services available to more than 8,500 properties. Through this program, Sydney Water has already spent over \$660 million (\$2014-15) providing wastewater services to 27 previously unsewered communities. This will exceed \$870 million (\$2014-15) when Sydney Water completes the schemes now in progress.

PSP is funded in a similar way to new growth properties, though is more generous. In PSP schemes, Sydney Water's 1.7 million wastewater customers pay for delivery of both large trunk and smaller reticulation infrastructure. In new growth areas, Sydney Water's 1.7 million wastewater

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<sup>20</sup> The program was implicitly referred to in the *Operating Licence 2000-2005* via the Clean Waterways Program objective to 'sewer existing properties'. Some initial schemes were also mentioned in Sydney Water's 1998-2003 Environment Plan.

customers pay for delivery of the large trunk wastewater infrastructure, which on average costs around \$12,000 per lot. Developers fund the smaller reticulation assets.

PSP schemes are expensive, with costs dependent on the specific site conditions and solution options selected (see Table 3 below). These costs are substantially higher than the \$12,000 average cost to provide wastewater services to a typical lot for a new house in greenfield developments.

**Table 3 Cost of previous and current PSP schemes**

Scheme	Capital cost per lot	
	Range	Average
Completed Stage 1 schemes	\$23,000 to \$113,000 (actual)	\$67,000
Completed Stage 2 schemes	\$79,000 to \$135,000 (actual)	\$95,000
Stage 2 schemes currently in delivery	\$44,000 to \$109,000 (forecast, \$2014-15)	\$75,000 (2014-15)

Post implementation monitoring of completed Stage 1 schemes indicates that there are demonstrated environmental and public health benefits in the immediate vicinity of the village, although no benefits have been demonstrated beyond the localised area.

There are six PSP areas identified in Sydney Water’s current licence that are yet to be delivered: Austral, Menangle and Menangle Park (required to be delivered if growth areas are serviced nearby); and Yanderra, Nattai and Scotland Island.

IPART has asked if Sydney Water’s new licence should contain any obligations in relation to the PSP in the future. We will address the remaining six schemes in two groups.

#### 4.8.2 Austral, Menangle and Menangle Park

These three villages will be serviced through other means (growth servicing).

The current Operating Licence clearly links the requirement to service Austral, Menangle and Menangle Park villages to the provision of wastewater services to a significant development in an adjoining area. Austral, Menangle and Menangle Park are within or near major development areas that have now been released for greenfield development by the NSW Government. Sydney Water is planning to deliver staged wastewater services for these areas, aligned to the sequencing and timing of proposed development in these areas. This is a more cost effective and efficient way to deliver wastewater services for these areas than through delivering a PSP scheme in isolation.

As the Austral, Menangle and Menangle Park villages would receive wastewater services as part of servicing broader greenfield development in the NSW Government’s urban release program, the community and environmental benefits are likely to be greater than those for other PSP identified villages. Accordingly, Sydney Water considers the investment in servicing these three villages to provide an acceptable level of value to our overall customer base, making it appropriate for this cost to be spread across the broader Sydney Water customer base.

#### Austral

The Austral village identified in the current PSP requirement (about 50 lots) is located within the Austral precinct (ultimately about 6,700 new dwellings) in the South West Growth Centre. The Austral precinct was rezoned for development by the NSW Government in March 2013 and the existing Austral village was rezoned for higher density development. The Austral village will receive wastewater services as part of the staged wastewater servicing of the broader Austral precinct.

Sydney Water has started planning for wastewater servicing of the first proposed development area in the Austral precinct, but this is remote from the Austral village. Based on current development forecasts from the Department of Planning and Environment, Sydney Water would provide wastewater services to the Austral village identified in the current PSP requirement between 2022 and 2027.

### Menangle

The existing Menangle village identified in the current PSP requirement (about 100 lots) is located about three kilometres south of the Menangle Park Release Area. While Sydney Water has not started planning for wastewater services to the Menangle village, an allowance for wastewater flows from the village were included in planning the wastewater services for the Menangle Park Release Area. In line with Sydney Water's written advice of 21 June 2006 to the then Minister for Energy and Utilities, the Menangle village identified in the current PSP requirement will be serviced as part of servicing the Menangle Park Release Area. Depending on the actual development sequencing and timing in the Release Area, it could be serviced between 2020 and 2025.

### Menangle Park

The Menangle Park village identified in the current PSP requirement (120 lots) is situated within the Menangle Park Release Area (ultimately about 3,600 new dwellings). This Release Area is about to be rezoned and higher density housing is planned within the existing Menangle Park village. The village area will receive wastewater services as part of the staged wastewater servicing of the broader Menangle Park Release Area. Sydney Water has completed detailed planning for wastewater services to the Menangle Park Release Area, including the Menangle Park village identified in the current PSP requirement. Based on current development forecasts from the Department of Planning and Environment and Urban Growth NSW (the major developer in the area), Sydney Water would provide wastewater services to the Menangle Park village between 2018 and 2023.

#### 4.8.3 Yanderra, Scotland Island and Nattai

These three remaining PSP Stage 2 schemes would be some of the most expensive schemes in the program, as shown in Table 4. These estimates are more than ten times the cost of providing wastewater services to a typical new growth area, which costs around \$12,000 per property.

**Table 4 Estimated cost of remaining PSP schemes**

<b>Scheme</b>	<b>Approximate number of lots</b>	<b>Estimated capital cost (\$2014-15)</b>	<b>Capital cost per lot (\$2014-15)</b>
Yanderra	220	\$51 million	\$234,000
Scotland Island	350	\$82 million	\$235,000
Nattai	30	\$4 million	\$137,000

The villages of Yanderra and Scotland Island do not have an existing water supply provided by Sydney Water. The cost estimates in Table 4 do not include the provision of a reticulated water service to these villages. We believe a manageable wastewater scheme can be provided without reticulated or 'town' water.

There is local community support for these PSP schemes to proceed, based on the number of enquiries made to Sydney Water about the timing for the provision of wastewater services to the villages involved. Sydney Water has met with community interest groups and local members of parliament for both Wollondilly and Pittwater a number of times about the remaining PSP schemes. Past discussions with some residents suggest some do not support the improvement in

wastewater services through the PSP (particularly in Yanderra and Nattai), as they fear it may lead to further urban development in the area.

#### 4.8.4 Future delivery and funding of improved wastewater services

Servicing the remaining three villages as a requirement on Sydney Water through its Operating Licence would require all Sydney Water wastewater customers to fund it. This would add nearly \$5 to the bill of each of Sydney Water's 1.7 million wastewater customers, every year for a period of 78 years.<sup>21</sup> The 27 schemes serviced to date have already added around \$48 to each bill for the same period.

Some alternative implementation and funding mechanisms are discussed below.

Regardless of the funding mechanism used, the design and delivery of the remaining schemes should be flexible, involving a performance based specification. In addition, depending on the funding mechanism adopted, their delivery timeframes should be staggered over several years, to spread the expenditure and reduce the impact on those funding it.

##### IPART's suggestion of government funding

As noted above, areas listed in the PSP were previously identified as having a high environmental priority. There may be value in a process to re-consider the environmental benefits that could be delivered from this program.

As suggested by IPART in its Issues Paper, it may be more appropriate for Government to consider funding the provision of improved wastewater services directly, as a community service obligation. This would align with the localised nature of environmental benefits. A contestable mechanism could be used, potentially testing Sydney Water and/or private providers to ensure the most efficient option is used for delivering the service.

##### Contestability mechanism funded by local customers

A contestability mechanism would not necessarily mean that the Government had to fully fund the scheme. Under the *Water Industry Competition Act 2006* (WIC Act), utilities who obtain a licence in a particular area can collect location-specific charges from local customers to recover their costs.

A performance based specification could be put out to tender by the Government for the market to identify innovative and cost effective wastewater improvement options, not necessarily involving reticulated wastewater systems. Services could then be provided by a new entrant, such as a private operator licensed under the WIC Act. The WIC Act licensee would be Network Operator and Retail Supplier and could recover the costs through location-specific charges paid by the customers of each scheme.

##### A different level of service

It may be possible to provide a different level of wastewater disposal service (or type of service) in some areas for a lower cost. For example, a centrally managed pump out service may be possible for Nattai for a capital cost of about \$33,000 per lot. The affected community would be consulted as part of any decision making process about accepting a different level or type of service.

Alternatively, in addition to the options already canvassed, a cap could be placed on servicing costs (such as \$75,000 per property – the average cost of PSP schemes completed or in delivery) and the market asked what level of service could be provided for this cost. The village residents could then be asked if they want to be serviced at this level, or if they would prefer to stay with their current onsite systems. Depending on the state of the onsite systems, Councils may seek to make

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<sup>21</sup> As the additional revenue in sewerage service charges from the remaining 600 PSP properties would not cover the estimated additional operating and maintenance costs for the three schemes. This shortfall would be spread across the broader customer base.



connection to a new system mandatory. Alternatively, it may be necessary to set a minimum number of residents who are willing to connect, as a threshold for proceeding with the scheme at the identified level of service.

In addition, consideration could be given to seeking a fair co-contribution from benefitting customers. For example, residents of the village may not be willing to accept a servicing option that can be delivered for \$75,000 per lot. However, if the Government were to fund up to this amount, the customers may be willing to contribute further funding at their own expense, to achieve a higher level of service.

### **State Owned Corporations Act direction**

If the above mechanisms cannot identify an efficient means of servicing the villages, the Government may seek that Sydney Water do so. In this case a formal direction under the *State Owned Corporations Act 1989* (SOC Act) may be appropriate. Such directions are intended for delivering projects or outcomes that are not commercial, but may be in the public interest and / or represent exceptional circumstances. Delivery of a PSP scheme to remaining villages could be suited to this mechanism.

SOC Act directions can be funded in different ways: through passing the costs on to Sydney Water's 1.7 million wastewater customers (similar to including the projects in the Operating Licence), or requiring Government to bear the costs.

#### **4.8.5 Sydney Water's Operating Licence is not the appropriate regulatory mechanism**

In our view the Operating Licence is the least appropriate mechanism to deliver and fund improved wastewater services to identified PSP areas.

Sydney Water's Operating Licence should set minimum standards for the levels of service we provide to our broad customer base. It should not be used as a vehicle to deliver specific, localised programs at extremely high cost. As noted above, if there are exceptional circumstances and to do so is considered in the public interest, a formal direction under the SOC Act is a more appropriate mechanism.

Sydney Water is happy to work with Government to develop concepts and frameworks for alternative ways that the remaining three PSP schemes could be delivered.

#### 4.8.6 Minor drafting error in PSP clause of licence

Sydney Water has identified a minor drafting error in the PSP clause of the current licence. If IPART's proposal to have no PSP obligations in the new licence is adopted, which Sydney Water supports, the error is irrelevant. However if the Government decides to retain PSP obligations in the next licence, the error should be corrected.

Clause 3.6 of the Operating Licence currently reads (emphasis added):

*(a) Sydney Water must continue with the planning and delivery of the Priority Sewerage Program such that wastewater services are provided to the requisite number of lots in the following areas by the dates specified below:*

- (1) Agnes Banks and Londonderry by 31 December 2012*
- (2) Glossodia, Freeman's Reach and Wilberforce by 31 December 2012*
- (3) Yellow Rock and Hawkesbury Heights by 31 December 2012*
- (4) Appin by 30 June 2015*
- (5) Wilton and Douglas Park by 30 June 2014*
- (6) West Hoxton by 30 June 2014*
- (7) Bargo and Buxton by 30 June 2014*
- (8) Cowan by 30 June 2014*
- (9) Galston and Glenorie by 30 June 2015.*

*(b) Sydney Water will commence planning for Yanderra by 30 June 2015.*

*(c) If either Sydney Water or a licensee under the Water Industry Competition Act 2006 provides wastewater services to a significant development (as determined by the Minister) in an adjoining area to one of the following areas in the Priority Sewerage Program:*

- (1) Austral*
- (2) Menangle and Menangle Park,*

*then Sydney Water must deliver the Priority Sewerage Program in that area such that wastewater services are made available to customers within 24 months of wastewater services being available to service the significant development.*

*(d) Clause 3.6(b) does not apply where a licensee under the Water Industry Competition Act 2006 provides wastewater services to the relevant area of the Priority Sewerage Program.*

We believe the intent of clauses 3.6(c) and 3.6(d) is to specify that Sydney Water must deliver the PSP to Austral, Menangle and Menangle Park if we or a WIC Act licensee services a growth area nearby. However, if the WIC Act licensee services these three PSP villages as well as the nearby growth area, then Sydney Water does not need to deliver the PSP to them.

On this basis, clause 3.6(d) refers to the wrong preceding clause. It should read (emphasis added):

*(d) Clause 3.6(c) does not apply where a licensee under the Water Industry Competition Act 2006 provides wastewater services to the relevant area of the Priority Sewerage Program.*

## 5 Water Conservation

### Key messages

- Water efficiency at Sydney Water is no longer just an obligation to meet a fixed target. It is now a part of our core business. Going forward, we will continue to invest in water efficiency initiatives to meet both customer expectations and commercial drivers, such as affordability. Implementing targeted water efficiency initiatives to manage demands on our systems can help to keep bills low, by reducing or delaying the need to amplify our systems and water supply sources.
- The current requirements were developed to address drought conditions and do not adequately address community benefit or market maturity considerations. In particular, a fixed water use target in itself does not drive efficient spending or necessarily deliver positive community outcomes.
- Water efficiency obligations in the next Operating Licence should allow customers and the community to retain the value of the significant investment and effort that has occurred in this area to date.
- The Metropolitan Water Plan is the appropriate instrument to manage the supply-demand balance, including drought readiness and response activities. Formalising Sydney Water's role and responsibilities in this process through a protocol with the Metropolitan Water Directorate is a sensible recommendation.
- We intend to play an active role in metropolitan water planning and in helping all customers continue to use water efficiently, both now and in times of future drought.
- Sydney Water is committed to managing leaks up to the Economic Level of Leakage (ELL). This provides value to customers and is appropriate for non-drought conditions.
- Sydney Water is in an ideal position to develop a multi-criteria decision framework to explore water efficiency opportunities. We believe this will deliver far greater community benefit than the current generic requirement to implement water efficiency programs.

The terms water conservation, water efficiency and demand management have been used interchangeably in the past, which can create confusion. We have retained the title *Water conservation* for this section of our submission, to mirror the term used in IPART's Issues Paper. However, in our discussion, Sydney Water will use the term water efficiency, as this aligns with our direction in this area for a number of years. Water efficiency better reflects how Sydney Water has managed the drinking water needed to supply customers by implementing measures where the benefits outweigh the cost. These benefits are broader than simply reducing demand, as water efficiency initiatives can also support liveability and economic growth objectives.

Sydney Water first developed a "Water Conservation Strategy" under the Operating Licence in 1995. Since then, there has been an enormous shift in the way people use water in Sydney, and the way we approach water efficiency within our own organisation. In 1995, there was little information to help customers save water and no regulation to promote water efficiency. We provided information and education, and developed an extensive range of programs, rebates and incentives to help customers reduce their water use.

We began to implement a broad range of water efficiency programs in 1999. These initiatives were extremely successful in reducing the water needed to supply our area of operations. By June 2011, water savings from these programs had grown to 121 billion litres.<sup>22</sup> Water use has been below our Operating Licence target since 2007, and has now been stable, around 310 litres per person per day or lower, since 2009.

In the future, we expect the majority of water savings from the broad-scale water efficiency initiatives we implemented in the past to continue, despite the completion of specific programs. Many of the savings have been 'hard wired' through the installation of efficient appliances and regulation that resulted in a transformation of the water using appliance market (such as washing machines, dishwashers and toilets).

A fundamental shift has also occurred in the way the community uses water. Water efficient behaviours established during the drought have been maintained since the transition from drought restrictions to permanent Water Wise Rules in June 2009. Water efficiency is now also a part of Sydney Water's core business in the way we manage and maintain our assets.

Sydney Water has a number of reasons to maintain an ongoing role in water efficiency, for example, to:

- preserve the water savings achieved to date and retain the benefit from the significant investment and effort that has occurred in this field since 1999
- meet customers' expectations that we will provide ongoing support to help them use water wisely
- continue to be a thought leader in this field, through researching and testing new opportunities to save water
- use water efficiency where it can help to keep bills low (for example, by reducing demand in targeted areas in order to reduce operating expenditure or avoid/delay capital expenditure).
- build resilience by being prepared for the next drought.

These reasons are consistent with Sydney Water's strategic goals to put customers first and contribute to liveable cities.<sup>23</sup> We intend to play an active role in helping all customers, residential, business and government, to continue to use water efficiently.

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<sup>22</sup> This was the date set to reach our Operating Licence water use level target of 329 litres per person per day (LPD). The figure of 329 LPD represented a 35% reduction water use, compared to 1990-91. The target was set in 1995 and includes total water used in Sydney Water's area of operations (not just residential use) divided by the current population.

<sup>23</sup> Sydney Water's Corporate Strategic Plan 2013-17, mission statement.

## 5.1 Objectives of water conservation obligations

22. Why is it necessary to include water conservation obligations in the Operating Licence?

**Obligations in the licence should support continued efficient investment in water security, Sydney Water's continuing role in interagency supply and demand planning and an appropriate level of drought preparedness.**

**The current obligations were largely included as a response to drought. They should now be updated to maintain the value of previous investment in water efficiency and prepare for future drought.**

23. What are the objectives of water conservation obligations in the Operating Licence?

**We generally support the objectives noted by IPART in its Issues Paper.**

**We note there are strong community and customer expectations for Sydney Water to have an ongoing role in water efficiency. Some segments of the community support a continued Operating Licence requirement reflecting this role.**

In its Issues Paper, IPART proposes that the objectives of water conservation in the Operating Licence are that:

- customers don't have to pay for inefficient supply augmentation projects or and / or face unnecessarily harsh water restrictions
- Sydney's drinking water supplies are secured efficiently.<sup>24</sup>

These objectives both relate to ensuring that demand side initiatives are appropriately incorporated and planned for when preparing for the next drought.

In addition, any obligations relating to water efficiency in the Operating Licence should ensure that customers and the community retain the value of the significant investment in this area to date. Since 1999, Sydney Water has invested around \$250 million in water efficiency programs (excluding leakage and recycling initiatives).

There are also significant community expectations that Sydney Water will maintain an ongoing presence in this area. This view has been strongly expressed by some members of our Customer Council. A number of the members believe that this role should be a regulatory requirement under our licence.

Regardless of what requirements are included in our licence, we will continue to invest in water efficiency to meet commercial and customer drivers, such as striving to keep bills affordable for our customers. Maintaining an active and visible presence in this area will encourage the preservation of the valuable water savings already achieved. We will maintain our organisational capacity in water efficiency through ongoing monitoring of water use, piloting and testing programs and initiatives, providing education and promotion of water wise behaviour and undertaking and supporting research projects.

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<sup>24</sup> IPART Issues Paper, *Review of the Operating Licence for Sydney Water Corporation*, June 2014, page 46.

## 5.2 Water leakage

24. How often should Sydney Water review the economic level of leakage (ELL)?

**We propose that the ELL be reviewed once during the licence term, after two years.**

25. Should the Operating Licence contain any additional obligations relating to leakage in addition to those we have identified?

**No. We are happy to continue to report to IPART each year on the amount of leakage from the drinking water supply system.**

**If the Government decides to include a fixed leakage target in the next licence (noting that IPART does not recommend this), Sydney Water should report on leakage using a five year rolling average, with the current uncertainty band retained rather than an annual average.**

Sydney Water is committed to continuing to manage leakage within its network in an economic manner. We support IPART's preliminary view that the Operating Licence should require Sydney Water to determine its economic level of leakage (ELL) and report to IPART on how we apply the ELL to our leakage management program.

The licence should allow for the ELL to be updated once during the term of the licence (assuming it is set for its maximum term of five years). This review of the ELL should be done after two years.

We are currently required to report to IPART on the amount of water leakage from the drinking water supply system each year, using the definition and methodology recommended by the (former) National Water Commission and the Water Services Association of Australia.<sup>25</sup> We would support the retention of a similar requirement in the next Reporting Manual.

### Removing the fixed leakage target

We support the licence requiring compliance with the ELL, as calculated according to internationally accepted and IPART approved methodology. However, we support IPART's view that the new Operating Licence should not contain a specified water leakage level or target volume (like our current leakage target of 105 ML/day). Having a fixed water leakage level for the five year duration of the licence does not reflect the reality that the ELL can change with time.

However, if the Government does decide to include a fixed water leakage target volume in the licence, it is important that:

- the current uncertainty band be retained to account for errors in calculating leakage (these are inevitable as many components of leakage need to be estimated)
- compliance reporting be based on a five-year rolling average, not annual average. This better accounts for short-term fluctuations and for the time lag between leak management activities and seeing their results.

We emphasise that IPART is **not recommending** a static leakage target in its Issues Paper.

Further information on leak management and how we calculate leakage is included in Appendix 2 .

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<sup>25</sup> *Reporting Manual for Sydney Water Corporation*, IPART, June 2013, page 18. The methodology is set out in the *National Performance Framework: Urban performance reporting, indicators and definitions Handbook*.

## 5.3 The Metropolitan Water Plan

26. Should the Operating Licence require Sydney Water to develop a protocol with the Metropolitan Water Directorate, which outlines Sydney Water's roles and responsibilities in developing and implementing the Metropolitan Water Plan? If so, what constraints or parameters should be put around this requirement?

**Yes. The Metropolitan Water Plan is the most appropriate instrument to manage long-term water supply and demand both during and outside times of drought.**

Sydney Water is a key agency in the whole of government approach to water security, including drought readiness and response. Sydney Water is the only agency involved in this process with the necessary data and expertise to provide demand side inputs (such as the long-term demand forecast) and advice on potential future demand reduction measures needed to develop a sound and effective long-term plan to balance water supply and demand for the greater Sydney region.

Formalising our role in the Metropolitan Water Plan (MWP) process is a sensible recommendation, which would help to clarify Sydney Water's responsibilities in this area.

However, in order to accommodate the emerging changes in the water market, the governance arrangements and Sydney Water's role in the MWP process may need to change over time. Accordingly, it is important for this licence requirement to be sufficiently flexible and not overly prescriptive.

Sydney Water should not be required to implement any measures under the plan that are not economically efficient or will not provide positive outcomes for customers. We should also not be required to implement measures that conflict with requirements under our Act or other legislative requirements.

In particular, the parameters around an obligation to develop a protocol with the Metropolitan Water Directorate should acknowledge that:

- a plan may not always be developed, or be publically released, or match the timing of Operating Licence reviews
- the agency producing the plan may change
- the plan and its initiatives, including timeframes for completion, may not align with costs forecast by Sydney Water for our regulated prices set by IPART. We should not be required to fund the implementation of any MWP initiative that is not commercially viable for Sydney Water. This will help prevent unnecessary increases to water bills for our customers.

We note that a similar licence requirement has been added to Hunter Water's most recent operating licence. As noted by IPART, there are some potential risks to including a licence requirement of this type. The mitigation options such as those proposed by IPART appear reasonable, but we would like further time to consider these.

Notwithstanding these points, we believe that the recommended approach is sound. Sydney Water would welcome the opportunity to be closely involved in the development of this licence requirement.

## 5.4 Other water conservation and efficiency provisions

27. What are your views on our preliminary position in regard to water conservation requirements in the Operating Licence?

**On the whole, Sydney Water supports the move away from prescriptive obligations around water conservation in the next licence. This does not mean we will cease our efforts in this area. However, there is no longer a need for the Operating Licence to contain such detailed requirements.**

28. What water conservation requirements should be included in the new Operating Licence?

**We support the licence containing requirements around managing leakage economically and continuing our role in metropolitan water planning for water security and drought.**

**We are not opposed to an obligation that would support Sydney Water maintaining a role in water efficiency, provided it is sufficiently flexible. Our customers should not have to fund programs that could lead to unnecessary bill increases, in order to meet a compliance measure in a given year.**

**We are proposing the use of a multi-criteria decision framework to guide future investment in water efficiency. This could take into account a number of considerations, including social objectives, energy impacts and building resilience for times of drought, not just the financial cost of water efficiency initiatives.**

IPART's preliminary views with regard to water conservation requirements are that Sydney Water should:

- be required to determine its economic level of leakage (ELL) and report on the application of the ELL to our leak management program  
*Sydney Water supports this view, as noted in section 5.2 of this submission*
- be required to use its best endeavours to develop a protocol with the Metropolitan Water Directorate regarding development and implementation of the Metropolitan Water Plan  
*Sydney Water supports this view, as noted in section 5.3 of this submission*
- **not** be required under the licence to meet any other specific obligations relating to the level of water usage, water efficiency programs, water recycling, the water conservation strategy document and annual report.

*We agree that there is no need to continue to include a water use target in the Operating Licence or a requirement to develop and report upon a water conservation strategy. We are not opposed to the inclusion of a generic obligation relating to water efficiency, provided it does not require Sydney Water to invest in initiatives where it would not be economic to do so. We want to adopt a strategic, long-term approach to water efficiency that encompasses a number of considerations beyond simply the levelised cost of water savings.*

*Our response to this view is discussed further below.*



As IPART notes in its Issues Paper, in the absence of the pressures of a competitive market, the Operating Licence is:

intended to ensure that Sydney Water provides its essential services efficiently and to the satisfaction of customers.<sup>26</sup>

Sydney Water recently completed research on customer preferences for a number of concepts relating to liveability.<sup>27</sup> One of the concepts tested was “water-saving help” for customers. This concept was well supported, but there was a strong expectation expressed by respondents that this was something Sydney Water should be doing anyway. This shows that, following the significant efforts during the drought, customers expect that Sydney Water will continue to play an active role in water efficiency. Feedback from our Customer Council confirms this sentiment and suggests that some of the customer groups represented on the Council expect this role to be ensured through a regulatory requirement in the licence.

On the whole, we support IPART’s preliminary view to remove prescriptive requirements relating to water efficiency from the licence. This does not mean we want to cease our efforts in this area. Rather, we have a number of internal commercial and customer focused drivers for our continued role in this field; prudent levels of expenditure in this area will help us to meet customer expectations, keep bills low (when water efficiency is a cheaper way to address supply constraints than system amplification) and contribute to improved liveability of our city. As such, having a requirement in the licence would not drive Sydney Water effort in this area. However, we acknowledge that there is significant support from some sections of the community for retaining requirements around water efficiency in our licence.

Therefore, while we believe the number of specific obligations in the Operating Licence should be reduced, we would not oppose the inclusion of a generic obligation relating to water efficiency, provided it allowed sufficient flexibility to Sydney Water to invest in this area (similar to our approach to managing leaks according to the Economic Level of Leakage, which takes into account a number of factors beyond the costs of leak management programs).

If specific water efficiency obligations are included in the next licence, they should:

- acknowledge Sydney Water’s capability and role in drought response planning
- support Sydney Water’s ability to recover the efficient costs of maintaining an active role in water efficiency, but not **require** the implementation of any program that would not be commercially viable (in order to keep bills as affordable as possible)
- allow Sydney Water to invest in water efficiency to achieve non-drought related objectives, and
- drive efficient investment through a robust, multi-criteria decision making framework, rather than the inclusion of arbitrary water use targets for per capita demand.

#### 5.4.1 Alternative licence requirement – a multi-criteria decision framework

The water use level target has been included in our Operating Licence since the licence was first issued in 1995. Under our current licence, Sydney Water was required to meet this target of 329 litres per person per day (LPD) by 30 June 2011, and maintain water use at or below this level for the remainder of the licence term.<sup>28</sup> The target level was based on achieving a 35% reduction in water demand from a 1991 baseline of 506 LPD.

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<sup>26</sup> IPART Issues Paper, Review of the Operating Licence for Sydney Water Corporation, June 2014, page 46.

<sup>27</sup> *Customer preferences for liveable cities: A market research report*, April 2014. This research included qualitative and quantitative elements.

<sup>28</sup> The target is based on total water used, including by residential, business, agricultural and industrial customers, divided by the number of people in our area of operations.

An alternative approach to a per capita water use level target could be to include a requirement in the licence for Sydney Water to develop and maintain a multi-criteria decision framework to guide our future investment in water efficiency.

Historically, Sydney Water invested in water efficiency programs with a lower levelised cost (\$/kilolitre of water saved) than the long-run marginal cost of water. Sydney Water will continue to investigate these types of opportunities, though these are likely to be limited to small niches, with correspondingly smaller water savings, than the broad-based water efficiency programs of the past.

Instead, we are planning to develop a comprehensive framework that looks at our area of operations in much finer detail to identify geographic areas that may be targeted cost effectively. We also aim to use this framework to determine the optimum timing of investment. This means that some initiatives could be implemented immediately to drive customer satisfaction, while others could be prepared to be ready to be implemented to support drought response initiatives.

The decision making framework would ensure additional benefits such as energy savings, avoided/delayed infrastructure spending and reduction in system peaks are all appropriately considered. This kind of framework is consistent with the approach used by other water utilities such as Water Corporation (Perth, WA) and in the energy industry (for example, by AusGrid). The framework would also need to consider the impact of pricing reforms that could occur in the future.

We believe this type of licence requirement would support the preservation of water savings achieved to date and respond to customer expectations.

We have discussed this option with our Customer Council. As noted previously, there was broad support from the Council for Sydney Water to play an ongoing role in water efficiency and to appropriately invest in research in this area. There was also general support for Sydney Water to undertake water efficiency initiatives based on an assessment of benefits and costs beyond purely financial considerations. While some members of the Council had no concerns with our decision making framework concept, others supported the retention of a specific water use level target in the licence, as they considered this had been an effective tool to drive effort in the past. However, Sydney Water does not believe that retaining the water use target will drive the best outcomes for water efficiency. Our specific views on retaining and /or lowering a water use target are discussed further below.

#### 5.4.2 If retained, the water use target should not be lowered

The water use target in previous iterations of our Operating Licence was an effective tool to drive initial investment in water efficiency and to respond to drought. This was a successful factor in changing water use behaviour that, combined with other regulatory measures such as BASIX<sup>29</sup> and WELS<sup>30</sup>, led to permanent changes in the market for water using appliances and fixtures. This includes appliances such as toilets, washing machines, dishwashers, as well as the use of water efficient taps and rainwater tanks. The success of Sydney Water's past rebate programs also contributed to this significant market shift.<sup>31</sup> However, now that the changes in both behaviour and in the market have occurred, the existing target no longer drives efficient investment.

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<sup>29</sup> BASIX – NSW Government's Building and Sustainability Index, which requires minimum water and energy efficiency for new housing and large extensions.

<sup>30</sup> WELS – Australian Government's Water Efficiency Labelling and Standards, which requires certain products to be registered and labelled with their water efficiency under a set standard.

<sup>31</sup> Rebate programs are intentionally designed to shift market preferences towards a specific type of product; in this case, more highly efficiency rated water using appliances. When our programs began, higher efficiency rated appliances were typically more expensive and made up a smaller market share than less efficient appliances. Once the market shifted in response to customer demand, the program had achieved its objective.

In the current climate of water efficient households, effective water using appliance regulation and mature markets for water efficiency program participation, we believe that lowering the per capita demand target would generate perverse outcomes for customers and the community. During the last drought, large water savings were achieved over short time frames. Within the next five-year term of our Operating Licence, it is likely to be expensive (high unit cost) and potentially impossible for Sydney Water to achieve similar water savings. Opportunities for further broad-scale water savings are now limited, as most of the customers who are interested in water efficiency have already participated in Sydney Water's water efficiency programs. Targeting customers with little previous interest in water efficiency programs would require significantly more promotional and marketing effort and/or higher rebates, with little guarantee of achieving the desired outcome.

The success of some of our largest programs such as WaterFix, which reached 30% of all Sydney Water customers<sup>32</sup>, limits further opportunities for indoor water efficiency to be achieved at reasonable cost. We will now investigate ways for us to help customers to change their behaviour by targeting niches not covered by previous programs or current regulation. We will do this in the most cost effective manner by applying our multi-criteria decision framework to drive investment. In this context, reducing our per capita demand target would likely to lead to inefficient investment.

The WELS and the BASIX regulation mentioned above have been very effective at implementing minimum water efficiency standards for appliances and new households. It would be inefficient for Sydney Water to invest in areas that are sufficiently covered by these other forms of regulation. In addition, as we are no longer the only water retailer in greater Sydney, it may be inequitable for us, and our customers, to be subject to a water use target that does not apply to the rest of the industry.

### 5.4.3 End of term review of water usage level

To meet Operating Licence requirements and as part of the general end of term review process, Sydney Water has undertaken a review of the water usage level.<sup>33</sup> In addition to the information provided in this section of our submission, our report on this review is attached at Appendix 1.

In summary, the review found that:

- To date, Sydney Water has met all requirements regarding the water usage level target.
- At 30 June 2011, the date set to achieve the target, water use was well under 329 litres per person per day (LPD).
- Since then, water use has been stable, between 300-310 LPD, and we expect to continue to exceed the target for the remainder of our current licence.
- Moreover, according to our short-term demand forecast, we expect water use will remain around this level for the term of the next licence.
- Since drought restrictions were replaced with Water Wise Rules in June 2009, water use has only risen by a small amount. In other words, we have not seen the significant 'bounce back' in demand that was typical after droughts in the past.
- Sydney Water does not believe that maintaining the water usage level target in the next Operating Licence will drive the best outcomes for water efficiency.

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<sup>32</sup> This level of participation proved to be very close to market saturation. Even with significant investment in promotion and marketing, participation drastically reduced during the final stages of this program. It is very likely that many people who did not participate already had efficient toilets, showers and taps due to the effect of WELS and BASIX.

<sup>33</sup> This also meets the requirements of clause 7.1 (e) of the Operating Licence and clause 7.3.1 of the Reporting Manual for Sydney Water to prepare a report on the water use level target. IPART has agreed that this report could be provided as part of this submission.

## 5.5 Water recycling

Sydney Water has met all aspects of the water recycling requirements in our current Operating Licence and has made a significant contribution to the knowledge and experience of recycled water in the Australian water industry. We operate 18 plants that support 23 recycled water schemes. These schemes recycle around 47 million litres of water a year. Going forward, we will continue to take an advocacy role, share knowledge and participate in research to promote water recycling, within the context of affordability.

Sydney Water has now implemented all financially viable recycled water servicing opportunities from our wastewater and water recycling plants. This includes very large projects such as the Rosehill Recycled Water Scheme and the St Marys Water Recycling Project. Future water recycling opportunities are likely to be small, localised sewer mining or stormwater harvesting projects.

The 2010 Metropolitan Water Plan contains a target to have 70 billion litres of water recycled each year in Sydney by 2015. While this target is a whole-of-Government target, not a Sydney Water target, we make a large contribution to it.<sup>34</sup> The Metropolitan Water Plan is currently under review and an updated plan is not expected to be released until after the completion of this Operating Licence review (post June 2015).

Efficient recycled water solutions have a place in sustainably managing supply and demand. However, prescriptive water recycling requirements have the potential to drive inefficient investment and should be avoided.

Where aligned with the lowest life cycle costs, recycled water is now an integral part of the urban water cycle. Accordingly, recycled water no longer needs a separate Operating Licence obligation. If the Government chooses to include a stand-alone recycled water requirement in the next licence (noting that neither IPART nor Sydney Water recommends this), a similar exemption to that used in clause 7.4 (c) of the current licence should be retained:

*Sydney Water is not required to undertake any recycled water scheme where it is not financially viable to do so.*

A potential barrier to efficient investment in recycled water schemes is that practical application of the pricing arrangements remains uncertain, because some aspects (such as avoided costs) are largely untested. Sydney Water welcomes a well-informed debate on this issue.

## 5.6 Recommended licence obligations

Some suggested wording for licence obligations relating to water efficiency is provided below for IPART's consideration:

*Sydney Water:*

- *should promote and encourage water efficiency and recycling approaches in its area of operations*
- *must develop and maintain a multi-criteria decision framework to identify opportunities to invest in water efficiency initiatives*
- *is not required to invest in water efficiency initiatives (including water recycling schemes) that are not commercially viable*

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<sup>34</sup> We note that the Metropolitan Water Plan is not a regulatory instrument, so does not impose requirements on Sydney Water. The target referred to in clause 7.4 (b)(1) of the Operating Licence is not the same as the recycled water target in the Metropolitan Water Plan (which is a target that a number of different agencies contribute to). The Minister has not set any recycled water targets for Sydney Water during the term of the current Operating Licence.

- *must determine its economic level of leakage (ELL) and apply the ELL to its leakage management program*
- *will use its best endeavours to develop and comply with a roles and responsibilities protocol with Metropolitan Water Directorate for the development and implementation of the Metropolitan Water Plan.*

## 5.7 Continued reporting on water use and leakage each year

Our current Reporting Manual includes a number of indicators relating to water use. These include requirements to report to IPART each year on the:

- total quantity of potable water that Sydney Water has drawn from all sources (in litres per person per day, LPD)
- volume of water used by residential customers (in megalitres, ML)
- volume of water used by commercial customers (in megalitres, ML)
- average volume of water supplied to residential properties (by kilolitres / property).

We are happy to continue to report on these indicators to IPART. This will allow IPART to track water demand over the term of the next licence, assess the impact (if any) of changes to licence requirements and determine appropriate provisions for the 2020-2025 licence.

A number of these indicators are National Water Initiative indicators that many utilities around Australia report against. It is important to note that care should be taken when comparing indicators between regions. Some indicators have limited value as comparative efficiency benchmarks, due to the context in which the water is being used. For example, the water used by households in different areas will be strongly linked to factors such as climate, household size (number of occupants) and garden size, none of which are directly related to how efficiently water is being used by the people in the household. Accordingly, it is inappropriate to directly compare household demand figures between different locations to gauge their relative 'efficiency'.

As noted in section 5.2, we are also comfortable to continue reporting to IPART each year on leakage from our drinking water system. Like water use reporting, this will allow IPART to track leakage over the term of the next licence, to assess the impact (if any) of changes to licence conditions.

## 6 Environment

### Key messages

- Sydney Water is committed to preventing pollution, providing services that protect and enhance the environment and continuing to fulfil our comprehensive environmental performance requirements.
- Our Environmental Management System (EMS) is mature and robust, having been in place since 2005. The EMS identifies and regularly reviews objectives and targets to manage environmental risks and demonstrate continuous improvement, which are reviewed on a yearly basis.
- The requirement to prepare a five-year Environment Plan is a legacy requirement preceding the implementation of our EMS and is no longer necessary or relevant. We have received minimal input from stakeholders on the annual review of the plan during the current licence term.
- Sydney Water will continue to report publicly on our environmental performance and planning through our EMS reporting requirements, as well as IPART and National Water Initiative environmental indicators.
- There is currently duplication by including a requirement to report on progress in meeting our environmental objectives and targets in both the Operating Licence and the Reporting Manual. We propose that this requirement be modified to align with objectives and targets identified by the EMS. A Reporting Manual requirement alone sufficiently meets the objectives of this obligation.

Sydney Water aims to enhance the liveability of Sydney by preventing pollution and providing services that protect and enhance the environment. We are committed to fulfilling the comprehensive environmental performance requirements of the *Sydney Water Act 1994*, our Operating Licence, environmental legislation, regulations and other requirements for public policy that govern responsible urban water management.

Sydney Water holds Environment Protection Licences, issued by the EPA for each of its wastewater and some water treatment plants. These licences are regulated separately to the Operating Licence and are not covered by this review.

Clause 6.1 of our current Operating Licence requires Sydney Water to:

- maintain an environmental management system certified to AS/NZS ISO 14001
- prepare a five-year environment plan (known as the Environment Plan) including targets and timetables, and publish it on our website
- complete an annual progress report against the actions and targets contained in the Environment Plan
- review the Environment Plan each year in consultation with our environmental regulator and peak environmental non-governmental organisations.

## 6.1 Recommended licence obligations

29. Should we continue to require Sydney Water to maintain an Environmental Management System certified to AS/NZS ISO 14001:2004?

**We support the continuation of an obligation in the licence to maintain our EMS, certified to ISO 14001:2004.**

30. As Sydney water is required to implement an Environmental Management System, is there any additional benefit in producing a five-year Environmental Management Plan?

**No. The five-year Environment Plan is a legacy requirement that creates unnecessary duplication with no additional benefits.**

Sydney Water proposes that the requirement to develop and publicly release a five-year Environment Plan be removed from the Operating Licence. It is a long-standing legacy requirement, originally introduced to enforce a discipline for environmental management and improvement prior to the implementation of a formalised EMS by Sydney Water.

Sydney Water has in place a robust and mature EMS, independently certified to the ISO 14001 standard, as required by the Operating Licence. Certification of our EMS has been maintained since 2005. Importantly, the standard is focussed on continuous improvement and requires regular review of objectives and targets, which are set by the organisation.

Our EMS provides the framework for developing, implementing, monitoring and reviewing environmental objectives, actions and targets. These objectives and targets drive our management programs and focus on continuous improvement in environmental performance, as measured by a comprehensive suite of regulatory environmental performance indicators.

The certified EMS provides assurance to our stakeholders and regulators that a structured environmental planning framework is in place. Each year Sydney Water consults with the environmental regulator and peak environment groups on the review of the environment plan. During the current licence period we have received minimal input on the forward plan. This could be interpreted as implying a level of trust in the maturity of Sydney Water's environmental management processes. Alternatively, the community and stakeholders could be more interested in reporting on past environmental performance rather than forward planning.

The Operating Licence requirement for both an EMS and a five-year Environment Plan effectively creates duplication, since planning and continuous improvement are inherent components of the EMS. Further, Sydney Water believes that a stand-alone environment plan does not necessarily meet business needs and may in fact hinder the development of an integrated strategy that results in positive environmental outcomes across the organisation.

We agree with IPART's preliminary view to remove the five-year Environment Plan and the associated requirement for annual consultation on the plan. This is consistent with recent changes to the operating licences of Hunter Water, State Water and Sydney Catchment Authority (now known as Bulk Water NSW). We also note that WIC Act licensees are not required to have a five-year environment plan.

Importantly, the removal of the Environment Plan requirement from the Operating Licence does not diminish the obligations under environmental legislation with which Sydney Water must comply.

## Costs and benefits of a certified Environment Management System

Sydney Water benefits from having an EMS as it ensures that environmental risks are identified and managed across all operations in a systematic manner. In addition, controlled processes ensure legislative requirements are also identified and met.

EMS processes are integrated into business as usual practices to ensure the up-front and ongoing management of environmental risks. The EMS also assists Sydney Water to communicate to stakeholders and the community our environmental performance and continuous improvement initiatives.

Under the Environment Protection Authority's new risk-based licensing framework, an additional benefit of having a certified EMS will be that Sydney Water's Environment Protection Licences' administrative fees will be reduced on an annual basis for those licences where Sydney Water performs well. This does not diminish our environmental management obligations in any way.

The current ongoing costs of upholding our EMS include triennial certification costs, annual surveillance audits and additional resources to manage and maintain the system. Please refer to Appendix 3 for further detailed information on these costs.

## 6.2 Reporting on environmental indicators

31. Are there any other environmental obligations we should include in the Operating Licence?

**No. The remaining obligations in the licence are sufficient, even with removal of the requirement to prepare a five-year Environment Plan.**

Sydney Water is committed to and acknowledges the importance of accountability for our environmental performance. We maintain this accountability through transparent reporting to our regulators and other stakeholders, including the public.

IPART's Reporting Manual should continue to require Sydney Water to report on progress towards meeting its environmental objectives and targets. However, there is currently duplication by including this reporting requirement in both the Operating Licence and Reporting Manual.

We propose that the reporting requirement be modified to align with the ISO 14001 Standard to report on the environmental objectives and targets identified by Sydney Water's EMS (rather than the actions and targets of the five-year Environment Plan).

The proposed changes have no impact on Sydney Water's other environmental public reporting requirements. We will continue to provide reports on our:

- Special Objectives (for EPA review) – through the Special Objectives table within our Annual Report, with links to annual environmental performance reports
- environmental performance indicators – through both Operating Licence and National Water Initiative (NWI) benchmarking indicators.<sup>35</sup>

We will also continue to produce and publish our key environmental performance reports on our website.

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<sup>35</sup> It is understood that most functions previously carried out by the now abolished National Water Commission will be adopted by other Government Departments. IPART has confirmed that these NWI indicators will still be required to be reported.



## 6.3 Consultation with regulators and stakeholders about our position

Sydney Water discussed our proposed changes to the environmental management requirements of the Operating Licence with the EPA (through officer level meetings). The EPA indicated in principle support for our proposed changes, subject to the continuation of public reporting on our environmental objectives and targets.

Sydney Water will continue to seek feedback on our environmental objectives and targets through the EPA's review of our performance reported in the annual Operating Licence Environment Report<sup>36</sup>. This feedback will be taken into consideration as part of our forward planning on environmental objectives.

The EPA also provides input on Sydney Water's strategic environmental objectives and environmental performance through:

- the Strategic Liaison Group and Joint Operational Group established through the Memorandum of Understanding between Sydney Water and the EPA
- its annual review and comment on the legislated Special Objectives report.

A recent online survey of bill-paying, residential customers living within Sydney Water's area of operations found that 77% of respondents were unaware that Sydney Water had an Environment Plan and only 9% had at some time read the plan. The results of the survey were discussed with Sydney Water's Customer Council. Council members agreed with Sydney Water's view that the results regarding awareness of the plan appeared reasonable, but the response to the question asking who had read the plan was surprising (both parties were expecting an even lower number than this). We feel that these results support our view that members of the public are more interested in reporting on environmental performance and outcomes.

Discussion with the Customer Council confirmed this view – that customers and stakeholders expect transparent and public reporting of Sydney Water's environmental performance. Some members were concerned with the proposed removal of the requirement for a five-year Environment Plan from Sydney Water's licence, as they felt the plan had been a good instrument for driving performance and accountability.

While we acknowledge this point of view, we believe that our other environmental reporting requirements are sufficient to continue to provide transparent information to our customers and stakeholders about our environmental management performance. This will occur through the publication of our annual Operating Licence Environment Report, detailing performance against our environmental objectives and environmental performance indicators.

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<sup>36</sup> Under clause 6.1(c) of the *Operating Licence 2010-2015* and clause 6.2 of the Reporting Manual (June 2013), Sydney Water must provide IPART with an annual progress report outlining details of our progress with the environmental objectives targets and timetable in the 5-Year Environmental Plan. Sydney Water prepares an annual Operating Licence Environment Report, which covers performance against both the Environment Plan and the environmental performance indicators listed in the Reporting Manual. This report is made publicly available as part of Sydney Water's Annual Report.

# 7 Customer rights

## Key messages

- Sydney Water has reviewed and updated our Customer Contract to ensure it is consistent with current legislation and Sydney Water policies. We have also suggested a number of changes to make it easier for customers to understand.
- A key change proposed is to remove rebates for non-residential customers, as these customers have other forms of redress for loss of business (such as insurance).
- We will retain rebates for residential customers, and are seeking to increase rebates for single events by 15% (in line with average CPI increases over the licence term).
- We also want to provide rebates for repeat incidents through one up-front payment (rather than a service charge deduction over four quarterly bills), so that customers such as pensioners can qualify.
- Other changes clarify responsibilities for customers and Sydney Water, remove unnecessary prescription and allow for new services such as multi-unit metering.
- We are providing details of our proposed amendments to the Customer Contract for use in IPART's public consultation process (see Appendix 5).
- We have also consulted with our Customer Council and Business Customer Forum on our proposed changes.
- The contract does not require substantial change to cover potential new situations under the *Water Industry Competition Act 2006* (WIC Act). Transfer arrangements for customers wishing to change service providers are already covered by the *Transfer Code of Conduct* prescribed by the WIC Act.

## 7.1 Overall approach to our review

In the sections below, we have recommended specific changes to clauses in the current Customer Contract. Our overall view is that the Customer Contract does not need to be as prescriptive as it has been. Feedback from our Customer Council supports this view.

As a schedule to the Operating Licence, the terms of the Customer Contract should be subject to the best practice licensing principles outlined in IPART's Issues Paper, particularly:

- considering whether government action is required to address a specific problem or risk and, if so, whether licensing is appropriate<sup>37</sup>

We note that WIC Act licensees (who are typically, in effect, monopoly suppliers to their customers for some services) are not subject to similar levels of prescription in terms of what they must cover in their customer contracts. We recommend that IPART consider what consumer protections need to be mandated by Government in customer contracts and whether these need to be ensured equally for consumers of all water and wastewater utilities.

The terms of our current Customer Contract are mainly aimed at protecting residential consumers. We do not believe the same requirements are necessary for business customers and are proposing to develop a separate, and even less prescriptive, contract for business customers. This is strongly supported by our Business Customer Forum.

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<sup>37</sup> *Review of the Operating Licence for Sydney Water Corporation*, Issues Paper, IPART, page 3

## 7.2 Recommended changes to the Customer Contract

32. Is Sydney Water's customer contract easy to comprehend and can it be enhanced in any way?

**The Customer Contract has been substantially revised during previous Operating Licence reviews to make it easy for customers to understand. Our proposed changes aim to continue this approach.**

**A copy of the contract including all of our proposed changes is included at Appendix 5 of this submission.**

We believe our proposed changes will make the Customer Contract easier to understand. As a legal document, its clauses need to be very clear about the obligations imposed on both Sydney Water and our customers. However, we have used plain English terms wherever possible.

Our changes are intended to meet the following objectives:

- to ensure the contract meets current legislative and other requirements
- to clarify information for customers, particularly for any areas that have caused confusion during the current licence term (for example, responsibilities for maintenance of water pipes)
- to use plain English terms that are better understood by customers (for example, replacing the term "account" with "bill", where appropriate)
- to provide references on where customers can find more detailed information on our policies and procedures. These are available on our website or will be provided directly to customers on request.

Our key changes to the Customer Contract are set out in the following sections of this submission, both in response to questions raised by IPART and additional opportunities for change identified by Sydney Water.

### Seeking to remove unnecessary prescription

We are seeking removal of some detailed information from the contract. For example, the current contract contains very detailed and prescriptive requirements regarding information that Sydney Water must include on its bill (clause 4.4.2). We do not believe it is necessary to include these details in the Customer Contract. We note that WIC Act licensees are not subject to similar requirements.

We will still provide customers with all necessary details they need to pay their bill, in line with good commercial practice and customer service. It is in Sydney Water's interest to provide an adequate level of detail on bills, in a way that is easy for customers to understand, to avoid unnecessary customer enquiries and maintain high levels of customer satisfaction. However, the licence and the Customer Contract should not be so prescriptive as to hinder changes to billing information as we deem necessary, in response to ongoing customer feedback.

## 7.3 Variation of the Customer Contract

33. Would it be beneficial to amend the *Sydney Water Act 1994* to eliminate the difficulties associated with varying the customer contract? Further, what should be done in the interim?

**Yes. It would be preferable for Sydney Water to have the ability to update our Customer Contract as required, subject to appropriate consultation with customers.**

**In the interim, we are proposing changes to remove unnecessary prescription.**

Currently, the Customer Contract is required to be included as part of Sydney Water's Operating Licence, in accordance with the *Sydney Water Act 1994*. This means that the contract is typically only updated as part of the end of term review of the Operating Licence, which usually occurs every five years. Several changes proposed to the contract as part of this review are being sought to allow **possible** changes to Sydney Water practice that may occur over the term of the next licence. If Sydney Water had the ability to more easily propose changes to the Customer Contract as the need arose, these changes can be pursued as required.

Sydney Water sees value in further consideration being given to removing the legislative requirement from the Act to include the Customer Contract in the Operating Licence. We understand this would be in line with current practice in other essential service industries, including those with deemed contractual arrangements, such as electricity. As noted by IPART in its Issues Paper, there are more light handed forms of regulation that can be used to ensure that small retail customers are sufficiently protected while providing utilities with more flexibility to respond to changing customer needs and the emergence of a more competitive market.

The Act (or Regulation) and / or Operating Licence could still retain requirements for specific customer protections in the contract but remove the requirement that the Customer Contract must be attached to the Operating Licence. We note that there is an existing ability to vary the Customer Contract under section 59 of the Act, which requires the approval of the Governor and publication of the variation 6 months before it becomes effective (unless a shorter period is approved by the Minister). However, this has been rarely used in the past.

As an interim measure, removing overly prescriptive elements from the current Customer Contract will be beneficial for both Sydney Water and customers, and will provide Sydney Water with greater flexibility to respond to changing customer expectations and needs.

We also note that more frequent updating of some clauses may not always lead to more efficient outcomes. Consideration would need to be given, on a case by case basis, to associated cost impacts of changing contractual terms (for example, costs of updating Sydney Water processes and systems to implement the changes).

## 7.4 Financial hardship provisions

34. Are the current hardship provisions in the operating licence and customer contract sufficient?

**Yes. The hardship provisions were substantially updated during the last review and are working effectively.**

We are not proposing any substantive changes to the Operating Licence or Customer Contract with regard to the hardship provisions. We feel that the existing program is working effectively with a high percentage of customers using the program having a successful exit back to mainstream billing. Our comprehensive approach to referrals enables customers to access a broad range of services to assist them.

### Reference to practices and procedures

Clause 4.4 of the Operating Licence currently states that Sydney Water must have in place and comply with “practices and procedures relating to customer hardship, debt, water flow restrictions and disconnection for non-payment”.

Our policies clearly state Sydney Water’s position on various matters. We make our policies relating to customers available on our website, or will provide a copy to customers on request. We publish these on our website regardless of the regulatory requirement to do so, as it is good business practice. Procedures, on the other hand, are generally understood to be internal documents used by a business to provide instructions to staff. They are not published on Sydney Water’s website.

We would prefer this clause to be amended to refer only to Sydney Water “policies”. This would make the licence requirement consistent with internal Sydney Water naming conventions and help reduce potential confusion for customers. We recommend that clause 4.4(a)(3) of the Operating Licence is also amended to be consistent with our proposed wording changes to the Customer Contract.

## 7.5 Customer Council provisions

35. Is Sydney Water’s Customer Council working effectively and how could its membership and community involvement be further improved?

**We believe the Council is working effectively. We would welcome comments from stakeholders (especially members of the Customer Council) on whether the role and functions of Sydney Water’s existing Customer Council could be further enhanced.**

The Customer Council continues to be an important consultative body for Sydney Water, providing stakeholder and customer insight and input into our initiatives and strategic planning.

Engagement with the Council is an integral part of our Stakeholder Engagement Framework, which aligns with our Corporate Strategy and objectives. For instance, Customer Council members were invited to participate in a stakeholder forum as part of Sydney Water’s Operating Licence review. Sydney Water also discussed our draft key proposals with the Council during the development of this submission, to obtain their views and feedback.

Quarterly Customer Council meetings are chaired by Sydney Water's Managing Director. Recent improvements have been made to enhance consultation and engagement with members. This includes a renewed focus on discussing ideas and testing thinking during early phases of strategy planning and project development. We now provide members with agendas and briefing material earlier. This approach facilitates a more informed and targeted discussion and members are also better able to represent the views of their organisations and constituents. We encourage the Customer Council to channel information back to their associations and participate in ongoing discussion

Recent efforts to improve the role of the Council and our relationship with members include:

- designating a full time role (Advisor, Customer Council Engagement) with a focus on coordinating engagement and implementing strategies for improvement
- educating Sydney Water staff about the role and value of the of the Council and encouraging proactive identification of areas of shared interest
- increasing out of session engagement with members
- offering customised briefings with subject matter experts on topics of interest
- seeking feedback to monitor and evaluate our relationship with the Council.

Our current Customer Council members represent the following bodies:

- Community Relations Commission NSW
- Ethnic Communities Council NSW
- Public Interest Advocacy Centre
- NSW Council of Social Services
- Tenants Union
- Total Environment Centre
- Nature Conservation Council NSW
- Sydney Business Chamber
- Local Government NSW
- Urban Development Institute of Australia
- Illawarra Forum Inc
- BlueScope Steel.

## 7.6 Internal and external dispute resolution

36. Are there any other licence obligations that should be included in the operating licence or customer contract to further enhance customer protection provisions?

**No. We believe that the Operating Licence, Customer Contract and other legislative requirements provide effective protection for customers and consumers.**

In addition to the specific customer protections provided within our Customer Contract, Sydney Water is subject to the Australian Consumer Law, like any other business. This prohibits the imposition of unfair contractual terms on customers and the use of penalties beyond those allowed by legislation.

## Specific amendments regarding complaints to EWON

Under clause 12 of the Customer Contract, Sydney Water customers have the right to seek external resolution of a dispute that has not been resolved to their satisfaction by Sydney Water.

To reduce potential for confusion, we have proposed removal of the last paragraph in clause 12.4.1 of the Customer Contract:

*You may choose whether or not to accept EWON's decision. If you decide to accept it, then it will be final and binding on us.*

Sydney Water believes this paragraph could be interpreted as advising customers that, if accepted by the customer, an EWON decision will be final and binding on Sydney Water. While EWON's charter provides the Ombudsman with the capacity to make binding decisions as a resolution of last resort, not all outcomes of EWON investigations are binding decisions and they can be challenged on errors of law.

We propose that clause 12.4.1 of the Customer Contract be amended to state that:

*EWON will work with Sydney Water and the customer to find a fair and reasonable outcome.*

This would highlight that EWON is an independent body and better reflect how EWON describes its services.

We also propose including the following addition to this clause:

*You should attempt to resolve the issue with Sydney Water prior to referring the matter to EWON.*

This aims to encourage customers to attempt to resolve the issue with Sydney Water, prior to referring it to EWON. This is consistent with best practice customer service and with advice provided to complainants by EWON itself. This may lead to a small reduction in costs for Sydney Water, as EWON charges Sydney Water for each referred case.

## 7.7 Other proposed changes to the Customer Contract

### 7.7.1 Update of privacy provisions

We have recommended updates for the privacy provisions in the Customer Contract.

The privacy wording in the current Customer Contract is restrictive, implying Sydney Water can use external parties only for credit reference checks. This increases Sydney Water's risk of breaching NSW Privacy Principles and could constrain us from using methods to increase interaction with customers through mobile devices, social media and surveys to improve our services.

We propose to generalise the privacy wording in the Customer Contract and refer customers to our Privacy Policy and more detailed information on our website.

### 7.7.2 Update of redress provisions

A requirement for rebates has been included in our Customer Contract since it first began (from 1 January 1995).

A desktop comparison of a sample of water utilities in the United Kingdom and Australia undertaken by Sydney Water earlier this year revealed that some form of rebate is provided to

customers for failure to meet service standards for almost all of the sampled utilities.<sup>38</sup> The Australian water utility, Yarra Valley Water, does not provide rebates to non-residential customers.

The current rebates provided by Sydney Water range from small amounts for one-off incidents to larger amounts (currently provided in the form of a service charge deduction) for repeat incidents. We undertook customer research in 2001 and 2007 to understand customer awareness and expectations in relation to rebates. The findings consistently demonstrated that customers who received a rebate were often not aware of it. Specifically, the 2007 findings were:

- 92% of respondents who had received a rebate for a planned water interruption did not recall receiving it
- 88% of respondents who had received a rebate for an unplanned water interruption did not recall receiving it
- 70% of respondents who had received a rebate for a wastewater overflow did not recall receiving it.<sup>39</sup>

Over the term of the next licence, Sydney Water would like to further explore the payment of rebates for loss of service in terms of:

- customer impact
- impact on corporate reputation
- customer preference for alternative ways to invest resources currently used for rebates
- other options that Sydney Water could demonstrate corporate commitment and accountability in relation to performance.

This research could then inform potential changes to the Operating Licence that would apply from 2020, or earlier if current difficulties associated with updating the Customer Contract outside of the end of term review process are resolved.

### Removal of rebates for non-residential customers

For this review, Sydney Water is proposing the removal of rebates for non-residential customers. We have discussed this proposal with our Business Customer Forum, who indicated a general view that the amount offered for rebates is too small to be a meaningful act of good will or compensation for some non-residential customers. Non-residential customers also have other means to claim compensation against losses, such as insurance and the provisions under clause 7.6 of the Customer Contract.

We are proposing to retain rebates for residential customers. However, we are seeking some changes to simplify payments and allow customers who already receive a reduced service charge, such as pensioners, to experience the full benefit. These changes will also maximise efficiencies for Sydney Water, in terms of reduced system costs to calculate and apply rebates to bills.

In summary, we are proposing the following changes to the Customer Contract relating to rebates:

1. remove rebates for non-residential customers
2. replace residential rebates for repeat incidents with a single, up-front payment (rather than a service charge deduction over four quarterly bills)
3. increase the discrete value of rebates by approximately 15% (to reflect an average annual CPI increase of 3%, over 5 years).

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<sup>38</sup> Only one water company did not appear to offer rebates to its customers for any circumstances, at the time of comparison.

<sup>39</sup> Sydney Water Service Standards Study, September 2007, Taverner Research. We also asked customers if they recalled the incident that they received the rebate for occurring. In response to this question, 92% recalled experiencing a wastewater overflow, 80% recalled having a planned interruption and 73% recalled having an unplanned interruption.



If these changes are accepted, Sydney Water estimates the total value of rebates to be paid in 2015-16 would increase by approximately \$290,000, based on rebate payments made in 2012-13. In 2012-13, Sydney Water paid approximately \$4.5 million in rebate payments to customers.

The proposed changes will also reduce the cost of introducing Sydney Water's new billing system (expected to be implemented in 2018) by at least \$250,000. This is as a result of simplifying the calculation of rebates, resulting from changing to an up-front payment. Our proposed changes will also reduce risk to the business associated with implementing our new billing system.

### 7.7.3 Changes to who is covered by the contract provisions

The purpose of this change is to clarify information for customers and Sydney Water in relation to:

- who is covered by the contract
- when the contract starts
- when the contract terminates

This also allows for commencement or termination of customers transferring to and from a WIC Act licensee.

### 7.7.4 Changes to account information provisions

We propose deleting the list of details that must be contained on the bill as a contractual clause, as this is unnecessarily prescriptive. Customers will still be provided with all necessary details to pay their bill, in line with good commercial and customer service practice. It is in Sydney Water's interest to provide an adequate level of detail on bills, to enable bill payment.

We also note that WIC Act licensees do not have their bill content prescribed by regulation.

### 7.7.5 Changes to overdue account balance provisions

We have included 'or a fee' because, in the future, we would like to charge an appropriate late payment fee to recover the cost of administration associated with late payment and overdue bills. This would be subject to IPART setting a fee at the next pricing review. The fee would be based on cost recovery of Sydney Water's loss. We believe a late payment fee is an efficient way to send a clear signal to customers on overdue bills.

Additional words have been included to clarify that we will not charge interest or fees to people who have made an arrangement with us to pay later or pay by instalments.

### 7.7.6 New clause included for 'Payment Adjustments'

A new clause has been added to clarify that we will contact a customer and reverse a payment, if that payment was mistakenly applied to the wrong customer. This is rare, but can occur when a customer inadvertently provides incorrect details accompanying their bill. We anticipate there will be no cost impact of these changes.

### 7.7.7 Changes to clause for notice of disconnection or restriction of supply of water for non-payment

We are proposing to remove the reference to seven days from this clause, as we have already advised the customer that payment is due “immediately”. This is to encourage customers to pay as close as possible to the due date on the original bill, and to remove unnecessary prescription from the Customer Contract. We are recommending this clause only apply to residential customers in future, with a new clause to be included for non-residential customers (see below).

### 7.7.8 New clause included for notice of disconnection or restriction of supply of water for non-payment for non-residential customers

The intention of this change is to be less prescriptive about the number of debt recovery action notices that are required for non-residential customers. The current words of the Customer Contract include identical provisions for all customers and do not allow Sydney Water to apply usual commercial practices to business customers with overdue debt.

### 7.7.9 Movement of clause regarding occupiers avoiding restriction or disconnection

This clause was included in a less prominent place in the existing Customer Contract under 6.5 - limitations on disconnection and restrictions. We have inserted this as a new clause to make it clearer for occupiers that this is an option they may like to use.

### 7.7.10 Movement of clause for ‘Costs for debt recovery activities’

The wording relating to this clause was previously included in the privacy clause. It is not a privacy issue and required its own clause under section 6 (Disconnection or restriction of water and wastewater services) of the Operating Licence.

### 7.7.11 Changes to NSW Civil and Administrative Tribunal provisions

The *Consumer, Trader and Tenancy Act 2011* was repealed on 1st January 2014 and the Consumer Trader and Tenancy Tribunal was replaced by the NSW Civil and Administrative Tribunal (NCAT) which is regulated under the *Civil and Administrative Tribunal Act 2013*.

### 7.7.12 Summary of substantive changes to the Customer Contract

Table 5 lists all the substantive changes that Sydney Water is proposing to the Customer Contract. It can be reviewed against Appendix 5 of this submission, which sets out the full proposed new contract, with Sydney Water's recommended changes highlighted in yellow.

This table does not list:

- simple wording changes to reflect more modern, customer-friendly or plain English terminology
- date changes to align with the new licence term
- changes to the names of documents, entities or pieces of legislation
- deletion of unnecessary text
- other minor matters.

**Table 5 Summary of substantive proposed changes to the Customer Contract**

Proposed change/s	Reason
<b>Section 1 Introduction</b>	
<i>Clause 1.2 – Understanding the contract</i>	
Additional sentence added to explain Customer Contract does not remove or limit any statutory rights.	Update to be consistent with current legislation.
<b>Section 2 What is a customer contract and who is covered by it?</b>	
<i>Clause 2.2 – Who is covered by this contract?</i>	
Additional sentence added to cover stormwater customers in Rouse Hill stormwater catchment area.  Note added that Sydney Water may develop a separate contract for non-residential customers during the next five years.	For clarification.  To provide notice to non-residential customers that Sydney Water may offer the option of a separate contract better suited to non-residential customers during the term of the next Operating Licence.
<i>Clause 2.3 – Other agreements with us</i>	
Reference added to include pressure wastewater agreement and explain that other agreements will take precedence over the Customer Contract.	To include new agreement and for clarification.
<b>Section 3 What services does Sydney Water provide?</b>	
<i>Clause 3.2.4 – Pressure wastewater system</i>	
'Sewer' changed to 'wastewater'  Reference added to include new conditions for customers who are serviced by pressure wastewater systems after 1 July 2015.	For consistency.  There are pressure wastewater systems installed as a part of the Priority Sewerage Program (PSP) that Sydney Water own and install.  Sydney Water may be the owners or installers of future pressure wastewater systems installed outside of PSP. This will depend on new and more appropriate pressure system designs and our policy at the time.  To allow for future design options and policy changes, and to avoid confusion to customers, it is proposed that all customers connected to a pressure wastewater system that we own and install after 1 July 2015 have a separate service agreement.
<i>Clause 3.3 – Stormwater drainage services</i>	
To include the 'Rouse Hill stormwater catchment area' as a stormwater area under Sydney Water's jurisdiction. This is in addition to declared stormwater drainage areas.	The Rouse Hill stormwater catchment area has associated stormwater charges, but is not a declared stormwater drainage area.

Proposed change/s	Reason
<b>Section 4 What you pay</b>	
<i>Clause 4.4.2 – What information is on your bill</i>	
The 'list' of details to be contained on the bill has been deleted.	<p>Customers will still be provided with all necessary details to pay their bill in line with good commercial practice and customer service. It is in Sydney Water's interest to provide details on bills to enable easy payment.</p> <p>This requirement is unnecessarily prescriptive and does not currently apply to WIC Act licensees.</p>
<i>Clause 4.4.5 – Overdue bill balances</i>	
We have included 'or a fee' because we eventually want to charge a small late payment fee.	<p>A late payment fee is a more efficient way to send customers a clear signal on overdue bills. The fee would be determined by IPART.</p> <p>Additional words have been included to clarify that we will not charge interest or a fee to people who have made a payment arrangement.</p>
<i>Clause 4.5 – Undercharging</i>	
Additional wording	This is required to clarify that charging is determined from the date of connection to Sydney Water's system.
<i>Clause 4.11.1 – Dishonoured or declined payments</i>	
Adding 'or card payments'	Sydney Water could refuse card payments and cheques, where this is a history of dishonoured payments.
<b>Section 5 What can I do if I am unable to pay my account?</b>	
<i>Clause 5.1 – Payment difficulties and assistance options</i>	
<p>Change assistance 'schemes' to 'options'</p> <p>Remove any reference to 'Flexipay cards' in this section</p> <p>Remove Payment Assistance Scheme vouchers</p>	<p>Sydney Water provides a range of options to assist customers experiencing financial hardship under its Payment Assistance Program.</p> <p>The proposed wording is more generic as 'Flexipay cards' is only one of many options available for customers to make smaller, regular payments to fit with their income cycle.</p> <p>The use of Payment Assistance Scheme (PAS) vouchers ceased in March 2012. The vouchers have been replaced with PAS being credited directly to the customer's account.</p>

Proposed change/s	Reason
<b>Section 6 Disconnection or restriction of water and wastewater services</b>	
<i>Clause 6.1 – Disconnection and restriction</i>	
Disconnection and restriction will be done in accordance with our 'policies' (instead of 'practices').	Reference is currently made to our 'practices'. It is detailed in our policies.
<i>Clause 6.2 – Notice of disconnection or restriction of supply of water to 'residential' customers for non-payment</i>	
<p>The clause will only refer to residential customers. (A new clause for non-residential customers has been included as clause 6.3).</p> <p>Removal of references to a period of seven days with regard to:</p> <ul style="list-style-type: none"> <li>- when payment is due after receiving the disconnection notice</li> <li>- when Sydney Water may commence restriction or disconnection of supply.</li> </ul>	<p>We are trying to encourage customers to pay as close as possible to the due date on the original bill. Customers are provided with 21 days to pay their account.</p> <p>We generally allow another 7 days before sending out a reminder notice (on day 28). The reminder notice states payment is due "immediately".</p> <p>If the customer fails to comply with the reminder notice, we send a disconnection notice. The current contract states that the customer must pay the account within seven days before action will be taken by Sydney Water.</p> <p>We propose to remove the references to seven days from this clause, as we have already advised the customer that payment is due immediately in the reminder notice.</p> <p>It is not logical to then advise the customer that they have a further seven days to pay the account when we send the disconnection notice.</p> <p>We have retained the wording that requires Sydney Water to make a further attempt to contact the customer prior to disconnection or restriction of supply, after sending the notice of disconnection.</p>
<i>Clause 6.3 – Notice of disconnection or restriction of supply of water to non-residential customers for non-payment</i>	
This is a new clause specifically for non-residential customers.	The intention of this change is to be less prescriptive about the number of debt recovery action notices that are required for non-residential customers. The current wording of the Customer Contract includes identical provisions for all customers and does not allow Sydney Water to apply normal commercial practices to business customers with overdue debt.
<i>Clause 6.4 – Disconnection or restriction for other reasons</i>	
Additional points have been included.	Additional points have been included to ensure customers meet Sydney Water's requirements (for example, where a customer is illegally connected to our services they can be disconnected).

Proposed change/s	Reason
<i>Clause 6.5 – Occupiers (tenants) may pay charges to avoid restriction or disconnection</i>	
This is an additional clause.	This option was included in a less prominent place in the existing Customer Contract under 6.5 - limitations on disconnection and restrictions. We have made a new clause to make it clearer for occupiers that this is an option they may like to use.
<i>Clause 6.10 – Costs for debt recovery actions</i>	
This is an additional clause.	The wording mentioned under this clause was included in the privacy clause. It is not a privacy issue and required its own clause under Section 6 – disconnection or restriction of water and wastewater services.
<b>Section 7 Redress</b>	
<i>Clause 7.2 – Rebates</i>	
We are proposing to retain rebates for residential customers. However, we are seeking some changes to simplify rebate payments and extend coverage to customers such as pensioners for repeat incidents.	<p>The general proposal is to:</p> <ul style="list-style-type: none"> <li>• provide rebates to residential customers only</li> <li>• increase discrete rebates by about 15% and provide a flat dollar amount</li> <li>• provide simple to understand, flat rate rebates for customers affected by multiple incidents.</li> </ul> <p>These changes will maximise efficiencies for Sydney Water, in terms of reduced system costs to calculate and apply rebates to bills.</p>
<i>Clause 7.3 – Rebates for recurring unplanned water interruptions</i>	
To provide flat rate rebates for residential customers affected by multiple incidents.	<p>The proposal is to:</p> <ul style="list-style-type: none"> <li>• provide rebates to residential customers only</li> <li>• provide simple to understand, flat rate rebates for customers affected by multiple incidents.</li> </ul>
<i>Clause 7.4 – Rebates for recurring wastewater service disruption or internal wastewater overflows</i>	
To provide flat rate rebates for residential customers affected by multiple incidents.	<p>The proposal is to:</p> <ul style="list-style-type: none"> <li>• provide rebates to residential customers only</li> <li>• provide simple to understand, flat rate rebates for customers affected by multiple incidents.</li> </ul>
<i>Clause 7.7 – Limitation of liability</i>	
Additional wording.	Changes made to ensure this clause does not breach and is in accordance with the current Australian Consumer Law. A definition of the Australian Consumer Law has been added to the definitions section of the Customer Contract.

Proposed change/s	Reason
<b>Section 8 Responsibilities for maintenance</b>	
<i>Clause 8.1 – Water pipes</i>	
Revised wording for clarity.	Changes made to provide clarity on which water pipes Sydney Water own and maintain and the restoration Sydney Water will perform when we repair a main to meter service.
<i>Clause 8.2 – Wastewater pipes</i>	
Additional wording to include when Sydney Water will repair private wastewater pipes.	Sydney Water has recently approved the repair of private wastewater pipes in roadways and footpaths under certain conditions.  This service will assist customers and has been included as a proposed obligation for the new Customer Contract.
<i>Clause 8.3 – Pressure wastewater systems</i>	
Revised wording for clarity.	'Sewer' changed to 'wastewater' for consistency.  There may be different maintenance requirements for customers connected to pressure wastewater systems depending on design, ownership and policy.  We recommend removing specific requirements from the Customer Contract relating to operations and maintenance and referencing our website. This will provide more detail and is more flexible.
<i>Clause 8.4 – Joint private water and wastewater pipes</i>	
Revised wording for clarity.	Changes made to provide clarity on ownership and maintenance responsibilities.
<i>Clause 8.9 – Building work</i>	
Revised wording for clarity.	To provide clarity on ownership and customer obligations if unapproved structures interfere with our systems.
<i>Clause 8.11 – Altering and unauthorised connection or use</i>	
Revised wording for clarity and additional wording to cater for remote and smart metering.	To provide clarity on Sydney Water's and customers' rights and obligations regarding unauthorised use of water and to cater for remote metering and smart metering.
<i>Clause 8.12 – Removal of trees</i>	
Additional wording to protect customers who may have been requested to remove a tree by Sydney Water and are restricted or delayed by reasons not within their control.	Additional wording to protect customers relating to removal of trees. Customers may not meet our timeframes due to Council approval times or non-approvals.



Proposed change/s	Reason
<b>Section 9 Entry onto a customer's property</b>	
<i>Clause 9.1 – Access to Sydney Water's systems</i>	
Add reasons where Sydney Water requires safe access to a customer's property.	Additional wording to state that in addition to reading the meter, it is also required to 'fit, exchange and maintain' the meter.
<b>Section 10 Water meter reading, installation, testing and maintenance</b>	
<i>Clause 10.1 – Installing and maintaining a water meter</i>	
Interchange clause 10.1 with 10.2.  Revise wording to cater for metering requirements for multi-level buildings.	Clause 10.1 and 10.2 have been interchanged as installing and maintaining details should be before measuring and usage details.  This clause has been re-written to simplify wording and avoid confusion with new metering requirements for multi-level buildings.
<i>Clause 10.2 – Measuring water supplied</i>	
Additional paragraph to inform customers with an automated meter reading system in a multi-level strata building that we may share the meter reading with the Owners Corporation or building manager.	Some building managers are asking for daily water use data to use in their building management systems, allowing them to detect leaks and help unit occupiers to better manage their water use.
<i>Clause 10.4 – Access to the water meter</i>	
Additional option added to request the customer to relocate their meter at their cost if Sydney Water is not granted reasonable and safe access to their water meter.	Access to the water meter is required for both meter reading and maintenance.  A new point has been added to state:  <i>If you have not provided reasonable and safe access to your meter for reading or maintenance on two or more occasions, we may:</i>  <ul style="list-style-type: none"> <li>• <i>ask you to relocate the meter at your cost</i></li> </ul> This is in addition to:  <ul style="list-style-type: none"> <li>• <i>seek access at a time suitable to you, which may incur an additional fee</i></li> <li>• <i>make other arrangements with you.</i></li> </ul>
<b>Section 12 If I am unhappy with the service provided by Sydney Water what can I do?</b>	
<i>Clause 12.3 – Resolution of complaints</i>	
This clause currently relates to 'Resolution of disputes'.	'Dispute' has been changed to 'complaint' as this clause relates to our internal complaint process. If a customer is not satisfied with Sydney Water's final outcome, they can refer it to EWON and it then

Proposed change/s	Reason
	becomes a dispute.
<i>Clause 12.4.2 – NSW Civil and Administrative Tribunal (NCAT)</i>	
This clause currently relates to 'The Consumer, Trader and Tenancy Tribunal'.	<i>The Consumer, Trader and Tenancy Act 2011</i> was repealed on 1st January 2014 and replaced by the NSW Civil and Administrative Tribunal (NCAT).
<b>Section 13 Consultation, information and privacy</b>	
<i>Clause 13.3 – Privacy</i>	
Generalise the wording and provide links to our website for more detail.	<p>The present wording in the privacy clause 13.3 states that 'we may exchange information about your creditworthiness'.</p> <p>However Sydney Water also from time to time conducts other activities that obtain personal information such as surveys to improve our services, and using third parties to repair leaks. The current wording is restrictive as it does not reflect these activities.</p> <p>Sydney Water has reviewed our privacy statements including the wording for privacy in our policy and Customer Contract. Our recommendation is to generalise the Customer Contract and put the detail on our website and associated brochures. These can be easily updated when we introduce new and smarter ways to operate.</p> <p>We have removed the reference to 'exchange of information' and 'costs for debt recovery activities' in the privacy clause into sections 4 and 6, respectively.</p>
<b>Section 14 When does my Customer Contract with Sydney Water terminate?</b>	
<i>Clause 14.2 – Variation of this contract</i>	
Wording revised.	For clarity.
<b>Section 15 Definitions and interpretation</b>	
A number of amendments and additions included to reflect changes throughout the contract.	For clarity.

## 8 Other areas for consideration

### Key messages

- **Memoranda of Understanding:** To provide clarity, we support an obligation regarding Memoranda of Understanding being retained in the Operating Licence.
- **Quality Management System (QMS):** An organisational wide QMS will provide assurance that our key business processes are robust and integrated, and can help to identify opportunities across the business to continuously improve the delivery of water, wastewater and stormwater services.
- **Performance indicators:** Sydney Water considers the existing performance indicators to be a rational and consolidated list.
- **Contestability:** There is opportunity to revise some Operating Licence obligations to better reflect the current state of the urban water market in Sydney.
- **Links to pricing regulation:** There is also opportunity to better link the Operating Licence and pricing frameworks as part of future pricing and licensing reviews.
- **Sydney Water's role in stormwater:** There is a need to clarify Sydney Water's ability to amplify stormwater assets within the Operating Licence. This will remove uncertainty and reinforce our existing ability in the *Sydney Water Act 1994* to provide stormwater systems and services.

### 8.1 Memoranda of Understanding

37. What are the benefits of including a licence obligation requiring Sydney Water to maintain a Memorandum of Understanding with NSW Health?

**It provides assurance of effective collaboration on water-related public health.**

38. Should the Memorandum of Understanding requirements with the NSW Office of Water and the Environment Protection Authority be removed from the operating licence?

**No. These fill a regulatory gap and provide clarity. We support these obligations being redrafted to introduce a 'best endeavours' element.**

**The requirement regarding the MoU with the EPA should also be reworded.**

The *Sydney Water Act 1994*<sup>40</sup> (the Act) requires Sydney Water to enter into a Memorandum of Understanding (MoU) with three regulatory agencies:

- NSW Water Administration Ministerial Corporation (generally referred to as the NSW Office of Water or NOW)
- NSW Environment Protection Agency (EPA)
- NSW Director General of the Department of Health (NSW Health).

<sup>40</sup> *Sydney Water Act*, Division 3, Sections 34 - 36

This requirement is reiterated in our current Operating Licence. However, the Act only requires Sydney Water to enter into a MoU with the different regulatory agencies, whereas the Operating Licence requires Sydney Water to **maintain** the MoUs. The Operating Licence also provides some direction on the content and purpose of the MoUs. Accordingly, Sydney Water does not view the requirement for MoUs in the Operating Licence as duplication, but rather a means of clarifying the way the MoUs should operate. All these MoUs are important given the high degree of coordination and communication needed between ourselves and these agencies on matters of environmental and public health.

IPART's preliminary view is to retain a licence obligation with respect to the MoU with NSW Health but to remove the licence requirement regarding the other two agencies. This would not remove the legislative requirement for Sydney Water to have MoUs with these agencies; however, it suggests IPART's view is it needs to monitor and enforce the MoU requirement with regard to NSW Health only.<sup>41</sup>

In general, Sydney Water is supportive of removing obligations from the Operating Licence that are duplicated in other forms of regulation or legislation. However, we note that, in addition to the variations in the requirements noted above, the Act also defines the MoUs as "a memorandum of understanding referred to **in the operating licence**"<sup>42</sup> (emphasis added). For these reasons, we recommend that all the MoU requirements be retained in the Operating Licence to provide clarity. This will also provide direction for issues on which the Act is silent.

In regards to the nature of the MoU licence requirements, we support IPART's suggestion that these obligations be redrafted to introduce a "best endeavours" consideration. This is consistent with the principle that we should only be regulated on matters within our power to control.

Efficient interagency collaboration between Sydney Water, our bulk water suppliers and NSW Health is essential to ensure effective management of drinking water from catchment to tap. Sydney Water supports appropriate and effective obligations being placed on ourselves and our partners to achieve this objective. In light of this, the MoU with NSW Health would be more effective if it formed part of a broader protocol between Sydney Water, our bulk water suppliers and NSW Health. The development of this protocol would need to take into consideration an appropriate balance of legislative and regulatory obligations on all parties.

Robust management of matters relating to ecologically sustainable development and environmental health requires effective interagency collaboration between Sydney Water, EPA and NOW. The Operating Licence requirement for MoUs with EPA and NOW should specifically note the relevant roles and responsibilities of all parties.

The current reference in the Operating Licence to "commit Sydney Water to environmental obligations" is an instance of unnecessary regulatory duplication.<sup>43</sup> These obligations arise from the POEO Act, not the MoU.<sup>44</sup> In our view, a more suitable purpose for a MoU with the EPA would be "to establish and maintain an open and cooperative relationship between the parties, at all levels, to achieve the objectives of both Sydney Water and the EPA, especially in regards to the principles of ecologically sustainable development, preventing environmental degradation, and minimising human health risks."

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<sup>41</sup> We note that clause 1.8 of the Operating Licence requires Sydney Water to comply with obligations under any applicable laws, including the Act. This gives IPART the ability to audit Sydney Water in respect to whether we are meeting our requirement under any clause of the Act. However, historically, IPART audits have only included obligations specifically set out in the Operating Licence.

<sup>42</sup> *Sydney Water Act 1994*, Division 3, section 34

<sup>43</sup> *Operating Licence 2010-2015*, clause 11(b)(2)

<sup>44</sup> *Protection of the Environment Operations Act 1997*

## 8.2 Quality Management System

39. What are the benefits and costs of including an obligation in the operating licence for Sydney Water to adopt an integrated Quality Management System?

**A Quality Management System (QMS) would provide a higher level of assurance and better leverage of our existing resources devoted to quality management. Initial estimates suggest this would result in only minor cost differences to current expenditure in this area.**

40. If the Quality Management System requirement is included in the operating licence, what is a reasonable timeframe for implementation?

**Sydney Water believes a reasonable time to develop and implement an organisational wide QMS to be four years (that is, by 30 June 2019).**

41. If the Quality Management System requirement is included in the operating licence, should it be required to be certified? If so, what is a reasonable time period for certification?

**Yes. We believe a reasonable time for certification would be by the end of the next licence term (that is, by 30 June 2020).**

Sydney Water supports a licence requirement to implement a Quality Management System (QMS) covering key processes. IPART's preliminary view to introduce this requirement is aligned to Sydney Water's own internal direction in this area. We believe the additional cost and effort required to certify this system is minimal and justified (compared to costs of developing a system but not seeking certification).

We currently maintain a certified organisation wide ISO 14000 Environment Management System, as required by the Operating Licence. In addition, Sydney Water has developed and continues to maintain various ISO 9000 certified quality management systems for key processes across our business including:

- water treatment plants
- water networks
- management of the supply of drinking and recycled water
- management of the outsourcing of the physical security services for Sydney Water sites and assets
- laboratory and sampling
- hydraulic system operations and telemetry
- capital project delivery
- business customer management.

A single organisational wide QMS will provide assurance that these key business processes are integrated, enabling staff to carry out their work in an efficient manner. It will also reduce current duplication of some processes across systems and reduce the resource effort required to manage these multiple systems.

The scope of the QMS will be determined by Sydney Water based on business needs. This is consistent with how the international standard is implemented in all organisations. The system should be a risk based process system that crosses divisional boundaries of Sydney Water in order to streamline the identification and rectification of cross divisional risks.

A licence requirement to implement a QMS should allow for a staged development approach, similar to the requirement added to Hunter Water's Operating Licence in its most recent review. This will minimise costs and disruption to our business. We believe a reasonable time for the development, implementation and certification of the QMS to be five years in total. Assuming the next licence is set for its maximum period, this means the licence would require a certified QMS to be in place by the end of the next licence term, that is, by 30 June 2020.

### 8.2.1 Benefits of an organisation wide QMS

A certified system would provide a high level of assurance to our customers, regulators and stakeholders that Sydney Water's systems and processes are managed according to international standards of best practice, while facilitating improvements and efficiencies in the provision of services to customers.

Other benefits of implementing a single QMS include:

- potential to reduce costs for Sydney Water involved with certification of our current multiple systems
- reduced duplication of documentation. This will make it easier for staff and contractors to use the system and reduce the need for training and support
- encouraging process based management auditing, rather than divisional based auditing (divisional silo approach). Process based auditing is better equipped to identify process gaps and interface failures, as well as facilitate whole of business improvements
- supporting Sydney Water's longer term goals for regulatory reform, including the facilitation of more outcome focused regulation. This is in line with IPART's desire to move towards less prescriptive 'systems based' licence obligations<sup>45</sup>
- providing greater scope for IPART to apply a risk based approach to licence compliance auditing, once independently verified systems are in place
- the proposed addition to the Operating Licence will not require any additional capital expenditure by Sydney Water. Sydney Water currently has a dedicated IT system (Business Management Information System) used for administering all existing certified management systems.

### 8.2.2 Costs of an organisation wide QMS

Implementing an organisation wide QMS will involve minimal increases in ongoing operational expenditure for Sydney Water (with regard to people and technology). Our current management system resources have the capacity and potential to administer an organisation wide system. For 2013-14, we estimated resourcing costs related to running our existing quality management systems to be approximately \$860,000.<sup>46</sup> This includes costs for staff involved in managing our current, various ISO based systems that could be utilised for an organisation wide QMS, as well as current expenditure on quality related audits.

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<sup>45</sup> Review of licence rationale and design, Regulation Review – Draft report, IPART 2013, page 52

<sup>46</sup> All figures are shown in \$2014-15. This includes staffing and other costs, such as internal auditing.

In addition to these existing costs, the development and implementation of an organisation wide certified QMS would involve an initial outlay of around \$160,000. However, we expect the associated annual ongoing costs may then be around \$4,000 less than those associated with our current systems. Please refer to Appendix 3 for more detailed information.

### 8.3 Performance indicators

42. Should we consider any other performance indicators to enhance the framework for assessing and regulating Sydney Water's performance?

**No. Sydney Water considers the existing performance indicators to be a rational and consolidated list.**

43. Are any performance indicators unnecessary or unduly costly to compile?

**No.**

In 2012, IPART conducted a comprehensive review and rationalisation of indicators across a number of utility licences. Sydney Water participated and provided input to this review, including noting several indicators which we felt did not provide value to Sydney Water as a business. Some of these indicators were removed by IPART from Sydney Water's reporting requirements, while others were retained.

We note that some of the existing performance indicators are not required from a Sydney Water business perspective. For example,

*IPART 14: The number of residential properties affected by planned water supply interruptions in peak hours (5am-9am and 5pm-11pm)<sup>47</sup>*

Including this as a performance indicator does not drive improved service for customers. We have strong commercial and customer focus drivers to ensure that, wherever possible, planned work takes place between 9am-5pm. Work outside these hours attracts premium overtime rates and can cause greater inconvenience to customers. However, we acknowledge that IPART and the community may feel that such indicators still provide useful performance data.

We also note that there remains capacity for existing performance indicators to be further aligned with indicators required to be reported on by the (former) National Water Commission.<sup>48</sup>

These issues are noted for IPART's consideration as part of the end of term review, and any future review of performance indicators across utilities.

As noted in section 4.7.2 of this submission, our preference would be for response times for water main breaks and leaks to be included as performance indicators in our next Reporting Manual, rather than as a licence requirement.

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<sup>47</sup> Reporting Manual for Sydney Water Corporation, IPART, June 2013, page 31.

<sup>48</sup> As noted in Section 6.2 of this submission, it appears that the functions performed by the NWC will be transferred to another agency. IPART has confirmed the Sydney Water will still need to report on NWI indicators.

## 8.4 Contestability in the water market

44. Are there any licence obligations that may hinder or enhance contestability?

**There are some licence obligations that hinder contestability. Some of these are justified; however, revision of others could better reflect the contestability framework that is now in place in the urban water market in Sydney.**

45. Are there any licence obligations that may hinder or enhance third party access to Sydney Water's monopoly infrastructure services?

**No. Other reviews and forums have looked at the extent of contestability in the Sydney urban water market, across the broader legislative context. Sydney Water participates actively in these forums.**

Many of the clauses in Sydney Water's Operating Licence were created in an era before competition was envisaged. Their objective may have been to create obligations for Sydney Water, as the monopoly supplier, to provide services. Given the changing environment, it may now be appropriate to consider whether some of these clauses require updating.

Contestability is facilitated by consistent conditions for incumbents and new entrants alike, often described as a 'level playing field'. Sydney Water considers that any clauses that create different requirements for Sydney Water than exist for WIC Act licensees potentially hinder contestability.

Two areas of difference between Sydney Water's Operating Licence and WIC Act licences are discussed below. As noted, in some cases there may be a valid justification for these differences.

### 8.4.1 Clauses relating to compliance reporting

Sydney Water's Operating Licence has traditionally been very prescriptive and onerous in terms of compliance. As competition in the Sydney urban water market continues to expand, it puts Sydney Water at a competitive disadvantage if its Operating Licence obligations are significantly more onerous than those for private utilities.<sup>49</sup>

Sydney Water must report on a total of 173 indicators in our annual compliance and performance reports (due 1 September and 1 October) to IPART. Under current arrangements, a WIC Act licensee that holds both a Network Operator and Retail Supply licence would be required to report on a maximum of 78 indicators.

WIC Act licences do not:

- have a specified duration, or a standard requirement for a periodic review (rather, they are only reviewed if an amendment to the licence is requested)
- contain a requirement for a Five Year Environment Plan or an annual progress report on its implementation
- include water usage level targets or other water conservation requirements, including water leakage targets and / or performance indicators.

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<sup>49</sup> We note that some of IPART's preliminary views noted in its Issues Paper support the removal of regulatory obligations on Sydney Water that are unduly onerous or no longer required.



Additionally, there is no specific requirement for WIC Act licensees to report on implementation of audit recommendations to IPART (Sydney Water is required to do this by 31 March each year). Instead, IPART may require the WIC Act licensee to comply with the following:

- to increase the frequency of compliance reporting and / or audits
- seek an undertaking from the WIC Act licensee
- require the development and implementation of a remediation plan to address contraventions.

#### 8.4.2 Are these inconsistent reporting requirements justified?

Stakeholder groups including government agencies, new entrants or private water utilities and social welfare lobby groups may argue that Sydney Water as a monopoly water supplier needs to be subject to more onerous and stringent regulatory requirements, as our customers did not have a choice between Sydney Water and another water utility as their provider. This reflects a view that strict regulatory requirements assist to protect consumers from a potential abuse of market dominance by a monopoly supplier.

At the current extent of competition in the market, however, customers of private water utilities in infill and peri-urban schemes also do not have a choice of water provider. Nor can they easily change providers. In practice, the developer chooses their preferred supplier, subject to a WIC Act licence for a particular scheme being granted by IPART. To change water or wastewater service providers, customers would likely need to choose to sell or leave their property and move elsewhere. Accordingly, if IPART feels that the regulatory requirements on new entrants are sufficient to ensure consumer protection, there could be an argument that Sydney Water should not be subject to any requirements above and beyond those imposed on WIC Act licensees.

We note that Sydney Water is not opposed to the regulation of its activities per se. Just as we support the development of competition in the industry where it can provide more efficient market outcomes, we support regulation that provides a guaranteed minimum level of service, but allows enough flexibility to us as the service provider to respond to customer expectations, deliver services that customers value and does not lead to perverse outcomes.

In the longer term, it may be desirable to have all water industry market participants covered by a single licensing framework or Water Industry Act. This may avoid the potential for unintended market outcomes or distortions that may arise from differences in the treatment of incumbents and new entrants, which may be to the detriment of customers.

#### 8.4.3 Clauses creating obligations to serve

The current clause 1.6 in the Operating Licence is as follows:

- (a) Subject to Sydney Water continuing to comply with any applicable law, Sydney Water must ensure that drinking water and wastewater services are available on request for connection to any property situated in the area of operations.*
- (b) Connection to Sydney Water's drinking water and wastewater services is subject to any conditions Sydney Water may lawfully determine to ensure safe, reliable and financially viable supply to properties in the area of operations in accordance with the licence.*

In essence, clause 1.6 creates an obligation for Sydney Water to connect any property within its area of operations to our services, on request, so long as doing so is safe, reliable and financially viable. The function of such an obligation would be to ensure that, unless there was a reasonable financial or system reliability reason, Sydney Water could not refuse to connect customers seeking to be connected.

However, other water utilities now provide services in some parts of Sydney Water's area of operations. These new entrant water utilities have the right to choose where they offer services, and do not have obligations to serve customers in particular areas. This is an inequity between Sydney Water's Operating Licence and WIC Act licences.

We recognise that new entrant water utilities may not seek to offer services in some areas, for reasons of location, cost, proximity to other services and site characteristics. Sydney Water sees the value in having a requirement in our Operating Licence to serve difficult areas such as these. As the incumbent water utility in Sydney, it is appropriate that we have requirements to service areas that new entrants would not choose to serve. However, this should continue to be subject to appropriate caveats around safety, reliability and financial viability – it is critical that clause 1.6(b) be retained to cover this.

However, in areas where a new entrant has chosen to offer services, we believe the obligation on Sydney Water to provide connection to services should be removed. If, for example, a private water utility is servicing a particular precinct for both drinking water and wastewater services, then the objective of the licence obligation (to enable customers to connect their properties to these services) is satisfied. In this case, clause 1.6(a) of the Operating Licence, as currently worded, could theoretically force Sydney Water to compete within that precinct. Forcing Sydney Water to compete is out of step with the current extent of competition in the urban water market in Sydney.

Accordingly, the wording of clause 1.6(a) could be amended as follows (proposed new text emphasised in bold):

*Subject to Sydney Water continuing to comply with any applicable law, Sydney Water must ensure that drinking water and wastewater services are available on request for connection to any **real**<sup>50</sup> property situated in the area of operations, **unless connection to those services is available from another licenced water utility operating in the location of that property.***

#### 8.4.4 Other considerations regarding contestability and third party access

Many of Sydney Water's Operating Licence clauses derive from the *Sydney Water Act 1994*. There are other, broader government reviews and projects looking at contestability issues in the Sydney urban water market. For example:

- the *Urban Water Regulation in NSW* review, which includes the statutory five year review of the *Water Industry Competition Act 2006*
- the *A New Planning System for NSW* review of 2013
- the NSW Commission of Audit report released in 2012
- Sydney Water's draft voluntary access undertaking.

These forums consider the broad legislative environment in which the competition framework is being developed, including the *Sydney Water Act 1994* and the *Water Industry Competition Act 2006*. Sydney Water is an active participant in such forums, along with a variety of other stakeholders.

Sydney Water has presented some of our views regarding contestability and access in those forums. For example, in relation to the Operating Licence, our submission to the *Urban Water Regulation in NSW* review in March 2014 noted our support for new entrant water utilities to have the right to deemed contractual arrangements with their customers, similar to the rights we enjoy for the Customer Contract under our Operating Licence due to sections 54 to 59 of our Act.

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<sup>50</sup> See separate proposal to include the word 'real' in this clause at section 8.7 of this submission.

## 8.5 Enhancing links between the Operating Licence and pricing regulation

46. How can the Operating Licence be amended to enhance links with IPART's pricing function?

**Sydney Water is not proposing any specific changes in this regard as part of this Operating Licence review.**

47. Can the Operating Licence be amended to provide added incentives to Sydney Water to pursue efficiency gains?

**There is potential for the Operating Licence to be more closely linked with pricing regulation to provide added incentives to Sydney Water to pursue efficiencies.**

**We believe this should be considered as part of the upcoming pricing review.**

### 8.5.1 Incentive-based regulation

Incentive-based regulation is the provision of commercial rewards and penalties to encourage a regulated business to act in a manner or deliver outcomes that are desirable from the perspective of society. A strong, incentive-based regulatory system aligns a regulated business' financial outcomes with the benefits and costs it creates for customers. This means factors within the organisation's control will have a greater influence on its overall performance. 'Doing the right thing' for customers becomes the right thing to do for its business.

These regulatory incentives mimic competitive market outcomes, where firms are rewarded for more efficiently supplying superior services that are valued by customers, and punished for inefficiently supplying services that are valued less by customers. This has the added advantage of being a robust framework in any transition by policy makers to introducing greater competition or contestability in these markets.

Regulatory incentives are commonly applied to cost efficiency and service performance. They have been used in other jurisdictions in Australia, and overseas.

#### Cost efficiency incentives

Cost efficiency incentives are used to motivate a business to deliver the level of service quality desired by customers, at its lowest sustainable cost. This in turn delivers lower average prices to customers. One of the main schemes used in this area by regulators in Australia and the United Kingdom (UK) is the Efficiency Benefits Sharing Scheme, sometimes referred to as the Efficiency Carry-Over Mechanism. This scheme allows businesses to retain gains for a fixed period, irrespective of when they are made in the review period. This provides a continuous and equal incentive to achieve cost efficiency in each year of the regulatory review period.

Introducing such a scheme would address one of the main problems with the current incentive regime offered by IPART to Sydney Water; namely, that the current incentive to beat the expenditure allowance declines substantially towards the end of the pricing period.

This scheme can also be designed to encourage efficient decisions between operating expenditure and capital expenditure. Under the current framework, there is a greater potential incentive to choose capital expenditure over operating expenditure. This scheme can be used to correct that bias.

## Service performance incentives

Service performance incentives are used to motivate a business to invest in superior performance, as well as act as a counterbalance to the incentive to minimise costs at the expense of service quality. The mechanism involves a financial reward for exceeding a socially-desirable standard of performance, and a financial penalty for under-performance.

Service targets are chosen based on an assessment of customers' priorities for service provision, and their willingness to pay for maintenance and improvements in services. Outcomes are measured in terms of quantitative and qualitative factors, using measurable performance metrics and customer surveys.

Introducing such a scheme would address another of the problems with the current regulatory framework, namely that Sydney Water could be punished for breaching minimum performance standards, but is not rewarded for exceeding them.

We have yet to establish a firm position on the particular types of incentives that could be used to encourage further efficiency gains. At a minimum, consideration needs to be given to making service incentives targets more holistic in nature. These should cover not only asset performance but also broader aspects of customer service.

### 8.5.2 Sydney Water's position on incentive-based regulation

Sydney Water supports the development of a stronger incentive-based regulatory framework for the urban water market. This can provide for more efficient means of delivering outcomes that benefit consumers, as well as providing Sydney Water, as a business, greater flexibility in how we deliver those outcomes through the prioritisation of projects.

Examples of benefits that can be delivered through these efficiency gains include:

- more efficient decisions on the choice of expenditure
- encouraging beneficial service improvements
- continued motivation to improve performance once easy gains have been implemented.

The use of regulatory incentives can also allow the economic regulator to step back from detailed operational matters, which can potentially reduce the overall costs of regulation.

Sydney Water intends to explore an approach to strengthening incentive-based regulation as part of our next pricing review. We expect to provide our initial pricing submission to IPART in June 2015.

## 8.6 Additional issue raised by Sydney Water – stormwater

Sydney Water provides trunk drainage services to 520,000 customers in 30 local council areas. Whilst we manage only about 5% of the total stormwater asset base, our trunk drains service 20% of Sydney's urban area, including its most densely populated suburbs. These larger stormwater trunk drains and channels often cross council boundaries and have flood mitigation as their primary objective. On the whole, councils own and manage the rest of the stormwater system. We do not have stormwater responsibilities in the Blue Mountains or Illawarra regions.

Many of Sydney Water's stormwater assets were constructed by the Department of Public Works during the Great Depression. They generally only cater for smaller flood events (that is, in the order of a 2-5 year flood event) and, therefore, do not meet contemporary standards for stormwater design and management. Sydney Water needs to be able to invest in amplification works to address risk and respond to business drivers, such as infill growth.

### 8.6.1 Need for clarification of rights and obligations for stormwater

Sydney Water believes that the *Sydney Water Act 1994* (the Act) and the current Operating Licence already allow Sydney Water to construct and amplify our stormwater systems. This ability is provided by Section 12(1) of the Act, reflected in the Operating Licence in clause 1.2(a), which provides scope for Sydney Water's Operating Licence to permit Sydney Water to construct systems for providing efficient, coordinated and commercially viable systems for providing services in our area of operations. We believe this broad wording includes construction of new and amplification of existing stormwater assets. (The Act also expressly refers to constructing "stormwater drainage systems".) However, this is not how the Act and Operating Licence have been interpreted or applied over the last two decades.

Rather, Section 14(1)(b) of the Act, as reflected in clause 1.3 of the Operating Licence, has been interpreted as limiting Sydney Water to maintaining the existing capacity of stormwater systems, and not allowing investment in amplification of stormwater assets. Section 14 (1) (b) of the Act states that the Operating Licence **must** include terms or conditions under which Sydney Water is required to:

*provide, operate, manage and maintain a stormwater drainage system within the capacity of the stormwater drainage system included in the business undertaking transferred under Part 3 from the Water Board to the Corporation as at the date of the transfer of the business undertaking.*

The absence of a specific reference to 'construct' here and in clause 1.3 of the Operating Licence has also caused uncertainty about Sydney Water's ability to construct stormwater assets generally.

We believe that Section 14(1)(b) of the Act defines a minimum obligation on Sydney Water, but does not restrict our general ability to construct stormwater assets. That is, while the licence must require Sydney Water to provide the minimum statutory obligation for stormwater services, it should not limit the scope of stormwater services we **may** provide beyond this minimum obligation, where it makes business sense to do so.

To remove this uncertainty, we are recommending the Operating Licence be amended to more clearly articulate Sydney Water's existing rights and obligations relating to the provision of stormwater systems and services. This will assist to create a common understanding among stakeholders that Sydney Water has the ability to amplify its own stormwater assets, subject to normal business and regulatory considerations being satisfied.

This proposed change will enable, but not require, Sydney Water to act upon system deficiencies and manage capital investment in stormwater assets on the same basis as any other asset class, with investment decisions being subject to the same prudence and efficiency criteria.

It is important to note that this change would simply reinforce an ability that exists through the legislation, for Sydney Water to provide stormwater systems and services including amplifying the capacity of our existing stormwater assets. It would not create an additional obligation on Sydney Water that goes beyond those prescribed by the Act.

A suggested addition to clause 1.3 of the Operating Licence is proposed below, for IPART's consideration:

*Sydney Water may also provide, construct, operate, manage and maintain efficient, co-ordinated and commercially viable stormwater drainage systems including increasing the capacity of the stormwater drainage system included in the business undertaking transferred under Part 3 from the Water Board to the Corporation as at the date of the transfer of the business undertaking.*

### 8.6.2 Inconsistent use of terms relating to stormwater

There is an inconsistent use of terms relating to stormwater throughout the Operating Licence and the Customer Contract, as identified below:

- **stormwater drainage system:** this term is not defined but used in the Act, Operating Licence and Customer Contract
- **stormwater drainage service:** this term is not defined but used in both the Operating Licence and Customer Contract
- **stormwater services:** this term is defined in the existing Customer Contract (but only used once) and recommended to be retained in the new Customer Contract. The definition is "The services we are permitted to provide by the Operating Licence and any applicable law in respect to providing stormwater drainage systems".

We recommend that only two terms be used, one to refer to **systems** and one for **services**. These should be consistently defined and used throughout the Operating Licence and Customer Contract:

1. **stormwater drainage system:** The stormwater drainage channels, land for drainage, pipes, detention structures, and stormwater quality improvement devices and other equipment that we provide, manage, operate and maintain under the Act to provide stormwater services
2. **stormwater services:** The services we are permitted to provide by the Operating Licence and any applicable law in respect to providing stormwater drainage systems.

### 8.7 Additional issue raised by Sydney Water – connection of services

Sydney Water notes an instance of sub-optimal drafting in the Operating Licence. In essence, clause 1.6 of the Operating Licence creates an obligation for Sydney Water to connect any property within its area of operations to our services, on request, so long as doing so is safe, reliable and financially viable. Clause 1.6(a) reads:

*Subject to Sydney Water continuing to comply with any applicable law, Sydney Water must ensure that drinking water and wastewater services are available on request for connection to any property situated in the area of operations.*

In isolation, this clause makes sense, in that it creates an obligation for Sydney Water to connect properties in its operating area that request connection (as discussed above under questions 44 and 45).

However, the problem arises due to the definition of 'property' within clause 14.1 of the Operating Licence:

**Property** means any real property to which either or both of the following conditions apply:

- (a) the real property is connected to Sydney Water's drinking water supply system, Sydney Water's wastewater system or Sydney Water's recycled water system and a charge for the services provided by one or more of those systems is levied on the owner of the real property;
- (b) the real property is within a declared stormwater drainage area for which a stormwater charge is imposed by Sydney Water upon the owner of real property in that area<sup>51</sup>.

Using this definition, clause 1.6 effectively requires Sydney Water to make services available on request for connection, to properties that are, by definition, already connected.

We do not believe this is the intent of the clause. Rather, in our view, the clause is intended to provide an avenue for unconnected properties to seek connection.

This definition of property is relevant in many parts of the licence; for example, clauses of the Operating Licence that place obligations on Sydney Water in terms of providing services to a customer's property (for example, water pressure). However, in other places, the word property is used in its broad generic sense, meaning a defined piece of land with an owner (regardless of connection to Sydney Water's services or proximity to declared drainage areas).<sup>52</sup> This much broader definition of property better aligns with the intent of clause 1.6 of the Operating Licence.

To clarify the intent of this clause, Sydney Water suggests adding the word 'real' before property in clause 1.6(b):

*...Sydney Water must ensure that drinking water and wastewater services are available on request for connection to any **real** property situated in the area of operations.*

Sydney Water considers that including the words 'real property' in this clause places an appropriate obligation on Sydney Water to potentially make connection available to any property that requests it, including unconnected properties (who are likely to request connection). The existing caveats around safety, reliability and financial viability in clause 1.6(b) should be retained.

## 8.8 Wording change requested by Sydney Water – use of wastewater

In order to make the Operating Licence easier to understand, we propose that the term wastewater be used throughout the licence in place of sewer, sewage and sewerage. This would be consistent with terminology now used by Sydney Water for a number of years and with the wording used in the current Customer Contract.

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<sup>51</sup> *Operating Licence 2010-2015*, Section 14, Definitions and Interpretation

<sup>52</sup> The Macquarie Dictionary defines **property** as 'a piece of land owned'.

# Appendix 1 Water usage level review

## History and context of the water usage level target

Sydney Water first developed a five-year Water Conservation Strategy in 1995, in accordance with its inaugural Operating Licence. Each Operating Licence since has included this requirement and we have developed a strategy to cover each licence period.

Similarly, each Operating Licence has included a requirement to reduce water use to 329 litres per person per day (LPD) by June 2011. This was first known as the water conservation target and later as the water usage (or use) level target. The target represents a 35% reduction in water use compared to per capita consumption in 1990-91 (506 litres LPD). Per capita water use is calculated by dividing the total water used each year (including by residents, businesses, agriculture and government) by the current population, then converting this to a daily average.

In 1995, water efficiency or 'demand management' was in its infancy. There was little information available to help customers save water and no regulation to promote water efficiency. Sydney Water provided information and education, and developed an extensive range of programs, rebates and incentives to help customers reduce water use.

Our water efficiency programs began in earnest in 1999. Water efficiency programs implemented by Sydney Water have been extremely successful in reducing water use, seeing water savings grow to 121 billion litres a year by the end of June 2011. Savings from these initiatives should continue in the future, despite the completion of the programs, as water efficient fixtures installed and behaviours established under these programs continue to affect water use.

While total water savings from water efficiency programs continued to increase each year, annual growth in savings from residential water efficiency programs peaked in 2006-07, then began to decline. A similar pattern occurred in the non-residential sector from 2007-08. This downward trend in savings growth occurs because of a natural decline in the ability of programs to generate new savings as time passes. Interested customers are most likely to participate in the early stages of a program. As the program continues, cumulative savings continue to increase but the rate of new savings achieved each year slows down. Some programs, such as rebates, are intentionally designed to be in place for a limited period of time. For example, rebates may be used to shift market preference or to provide just enough financial incentive to encourage customers to take up initiatives they had been deferring because of cost. When the desired effect is achieved, the rebate is removed.

The key objective of our Water Conservation Strategy when it was first developed was to meet our Operating Licence water use target of 329 litres per person per day (LPD) by 30 June 2011. This objective has been retained in subsequent strategies developed by Sydney Water to comply with Operating Licence requirements.

At 30 June 2011, water use was well under the target and remains so. We expect to continue to exceed the water usage level target until the end of the current licence period (30 June 2015). Figure 13 illustrates water use (as per capita consumption) compared to the water usage level target from 1999 to 2014.



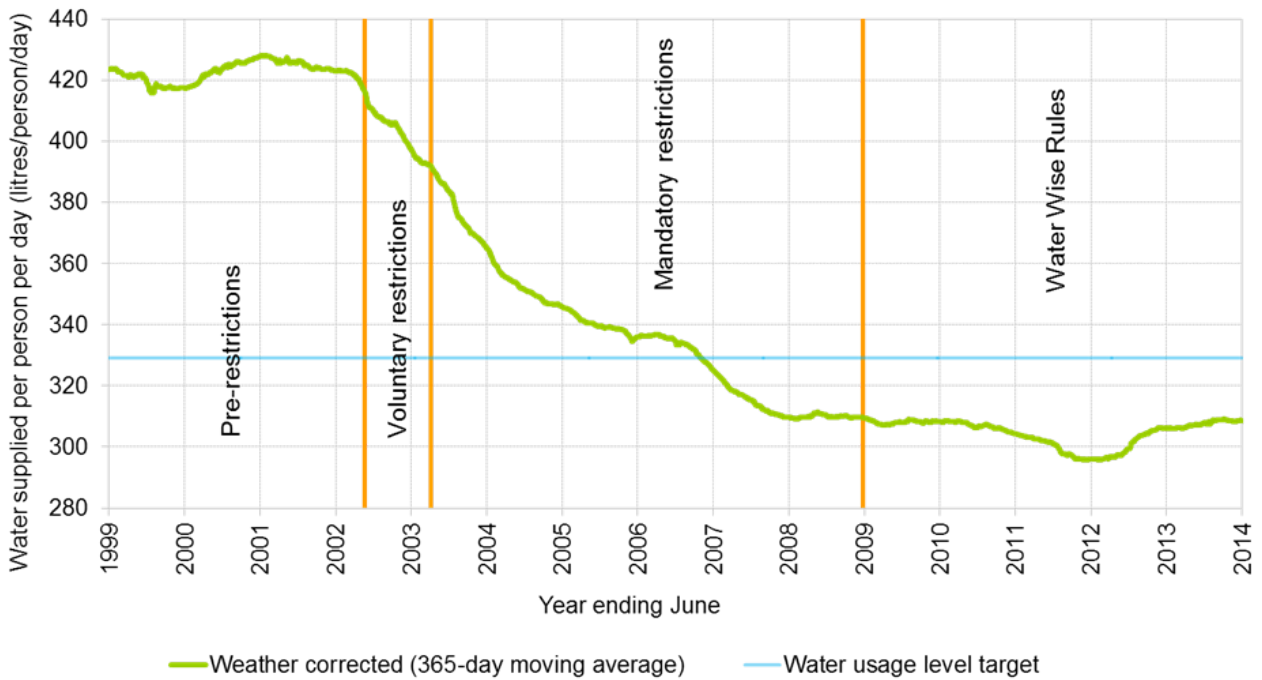


Figure 13 Water use compared to the water use target

We have always reviewed and adapted our water efficiency programs to ensure they are cost effective and targeting the largest uses of water. As we approached the date of the water use target, our analysis showed that many of our water efficiency programs were approaching maturity. For example, Figure 14 shows that participation in the WaterFix program reduced significantly after 2006 (despite continued marketing of the program in later years).

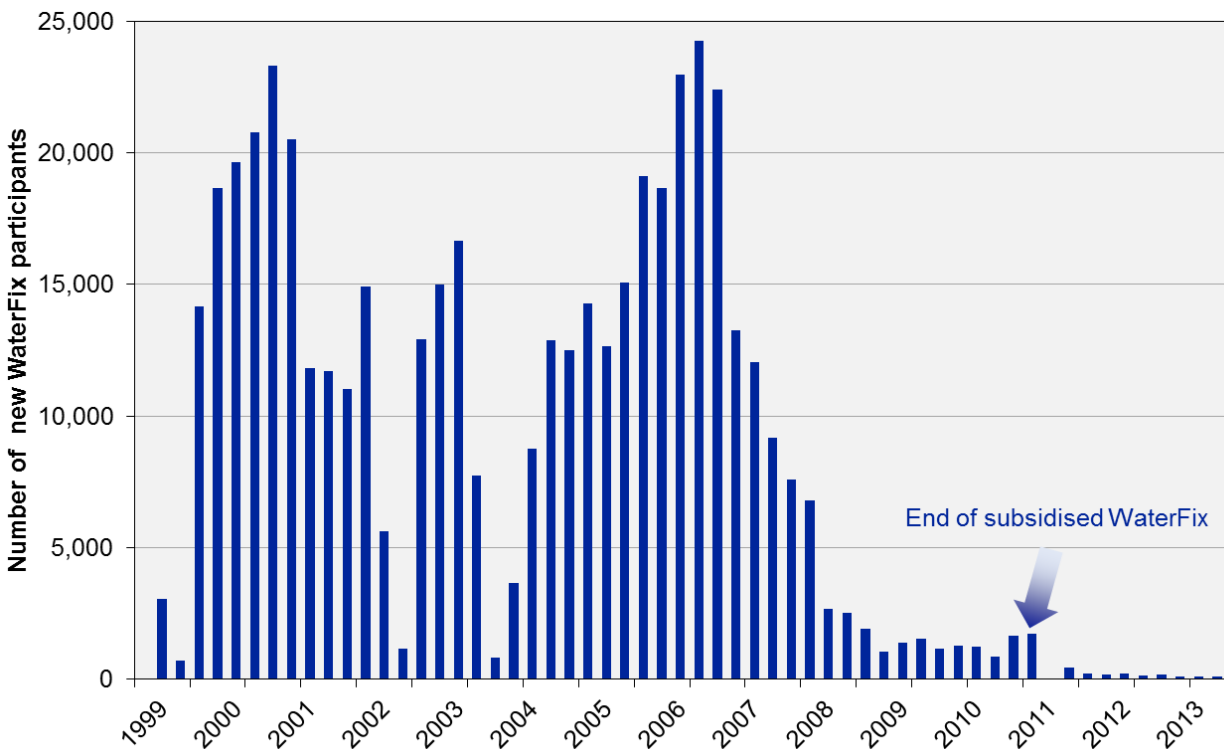


Figure 14 Participation in WaterFix program from 1999 to 2013

Our forecasting of water savings for metropolitan water planning purposes also demonstrated that future water efficiency gains would largely be achieved through regulatory measures that Sydney Water does not implement.

After more than a decade of sustained effort, there is now little scope for the broad-scale water efficiency programs implemented by Sydney Water in the past to continue to produce additional water savings cost-effectively. From July 2011, Sydney Water’s water efficiency focus shifted to developing new cost-recovery services and providing services to help customers experiencing financial hardship.

In the future we would like to focus our programs to target particular geographic areas and customer segments. We believe that there are still cost-effective and worthwhile ways to save water. After the success of past, the scale of savings in the future is will be less than during the last drought. However, there is still value in pursuing opportunities in this field, such as implementing demand solutions as part of good asset management. This can minimise capital expenditure and keep downward pressure on bills.

### Sydney Water’s short term demand forecast (2013-14 to 2019-20)

Short-term demand forecasts are prepared on the best available data and econometric models. However, actual conditions experienced in the future can never be predicted with 100 per cent certainty. One of the largest influences on water use is weather. To address this, we prepare our forecasts to reflect what might occur in an average weather year. We know that the effect of non-average weather can lead to deviations between the forecast and actual demand of up to +/- five per cent. Demand forecasts are also affected by a range of other uncertain factors, such as housing and population growth rates, leakage and use of water by large high-water using businesses. This is why we update our forecasts on a regular basis.

In our short-term demand forecast, we are predicting an increase of 275,000 people in the population served with water by 2019-20 (a six percent increase compared to current population).<sup>53</sup> In total, forecast demand is predicted to increase by 13,000 ML (a three percent increase) by 30 June 2020. This is shown in Figure 15 below.

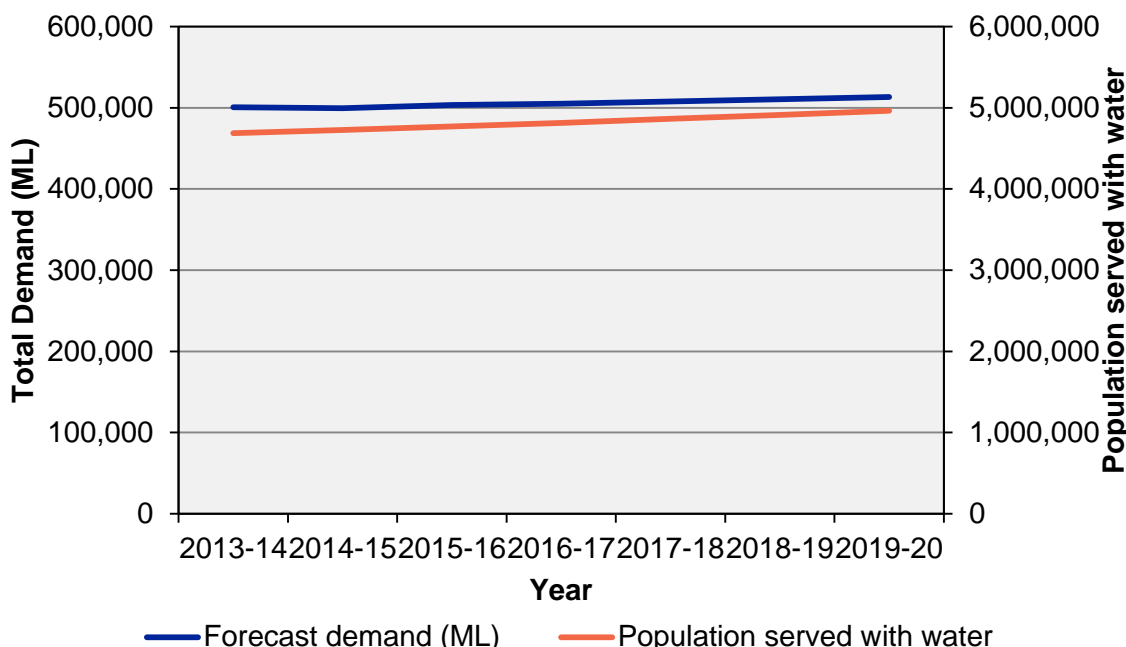
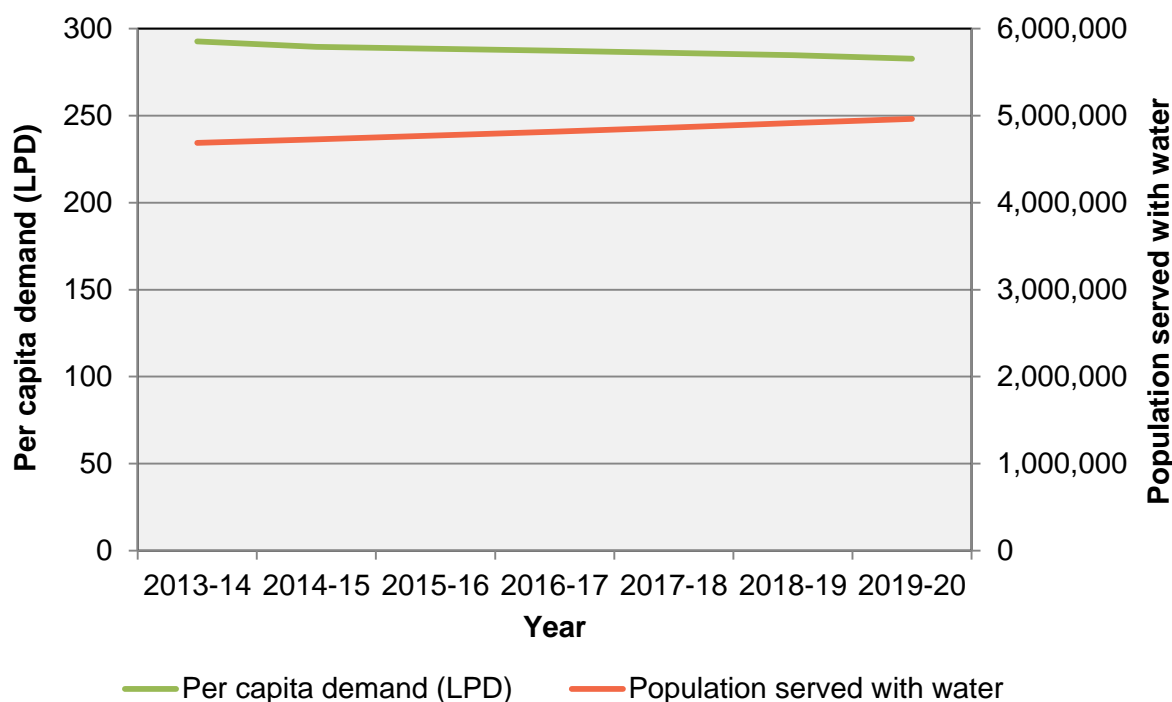


Figure 15 Short term forecast of demand for drinking water– total demand and population

<sup>53</sup> This short-term demand forecast was produced in October 2013. We usually update our short-term demand forecast once each year.

On the other hand, **per capita** demand is predicted to decrease slightly over the same time period. This is because water use by businesses and households is assumed to continue to become more efficient over time. Increasing population and housing density will also lead to less leakage and outdoor water use per person.



**Figure 16 Short term forecast of demand for drinking water – per capita demand and population**

We note there is some variance between this forecast and actual water use in 2013-14. This is due to a number of uncertain factors, where actual conditions differed from forecast assumptions. This included:

- weather being **significantly** above average. The last twelve months have seen the hottest winter, spring and autumn on record, and the driest summer since 1986-87.
- leakage being higher than average
- some large non-residential customers using more water than anticipated.

When we correct for these factors the difference between our forecast and actual demand is reduced to around three per cent. We are currently refining our forecasting approach and rebuilding the models to improve our ability to predict the influence of weather, especially extreme weather events. We expect that an updated short term demand forecast will be available around September 2014.

### Sydney Water’s proposed position for the 2015-2020 Operating Licence

Sydney Water’s position is to transition from a fixed water use level target to a multi-criteria decision framework that guides and enables Sydney Water to invest in water efficiency to meet a number of commercial drivers. We acknowledge that the target was effective at driving investment in reducing demand to respond to drought. However, as this target has now been met (and exceeded for a sustained period of time) it is no longer a driver of investment in this area. As discussed section 5.4.2, lowering the target could lead to rushed and inefficient expenditure.

We look forward to working with IPART and other stakeholders to determine the best way to target our investment in water efficiency in the future.

## Appendix 2 Calculating leakage and current leakage requirements

By its nature, leakage is difficult to measure. Unlike water use, which is measured as it passes through a meter to a customer's property, it is not possible to measure individual leaks, which makes measuring leakage from an entire drinking water distribution system complex. Sydney Water uses the water balance method to measure leakage, a best practice approach used by the International Water Association and the Water Services Association of Australia. IPART has agreed it is the most suitable approach.

The water balance method starts by taking the total volume of water supplied through water filtration plants. All end uses of water are then subtracted, some of which are measured and known, while others cannot be measured and are therefore estimated. The remainder is deemed to be leakage. This remainder is relatively small, and includes components that are estimated and vary with time, so the leakage error band can be quite a large percentage.

Sydney Water's water balance results, along with the water balance component definitions, are shown in Table 6 and Table 7, below.

**Table 6 Water balance results for year ending in the second quarter of 2013/14 (ML)**

<b>Water Supplied</b> 520,245	<b>Authorised consumption</b> 469,047	<b>Billed authorised consumption</b> 464,285	<b>Revenue water</b> 464,285	<b>Billed metered consumption</b> 460,678	
				<b>Billed unmetered consumption</b> 3,608	
			<b>Unbilled authorised consumption</b> 4,762	<b>Non-revenue water</b> 55,959	<b>Unbilled metered consumption</b> 206
					<b>Unbilled unmetered consumption</b> 4,556
	<b>Water losses</b> 51,197	<b>Apparent losses</b> 9,922	<b>Unauthorised consumption</b> 520		
			<b>Customer meter under-registration</b> 9,402		
		<b>Real losses</b> 41,275	<b>Real losses from distribution system</b> 41,275 - 7.8%* (113 ML/D)		

\* Percentage in relation to base year of 2005/06 water supplied

**Table 7 Definitions of components of water balance results table**

<b>Components</b>	<b>Definitions</b>
Water Supplied	<i>Volume of treated water supplied by the filtration plants and is measured at the outlet of each plant.</i>
Billed Metered Consumption	<i>Volume of water registered by the customer meters and billed. 88% of Water Supplied being the largest component.</i>
Billed unmetered consumption	<i>Water used by customers who are not metered. These amounts are estimated.</i>
Unbilled metered consumption	<i>Volume registered by customer meters but not billed. This comprises entirely Sydney Water metered properties.</i>
Unbilled unmetered consumption	<i>Estimated volume of usage that is neither billed nor metered. 1.0%</i> <ul style="list-style-type: none"> <li><i>a. Water used in relation to fire fighting. (Fire brigade, fixed fires services, bushfire fighting – all estimated)</i></li> <li><i>b. Water used by Sydney Water operating the networks (flushing, dewatering etc) – estimated</i></li> </ul>
Unauthorised consumption	<i>Estimated volume lost due theft activity.</i>  <i>Standard default of 0.1% of Water supplied used , recommended by WSAA and National Performance Framework</i>
Customer meter under-registration	<i>Estimated volume not registered by customer meters. Testing shows that customer meters have small inaccuracies and that mechanical meters tend to under-register with age.</i>  <i>Standard default of 2% of Water supplied used, recommended by WSAA and National Performance Framework.</i>
Real losses from distribution system	<i>Leakage - Estimated volume of all losses between the filtration plant outlets and the customers' meters</i>

### **Operating Licence leakage target**

The current Operating Licence requires that Sydney Water keep the water leakage level below 105 million litres per day (ML/day). As required under the licence, we completed a review of the economic level of leakage (ELL) in December 2011. This review did not lead to an adjustment of the ELL or the licence target.

The economic level of leakage is the point where the cost per kilolitre of leak reduction equals the value per kilolitre of the water saved. It is based on a least-cost model that determines the optimum rate of expenditure on managing leakage. The method has been refined over time to not only optimise investment in recurrent leak management programs, such as the Active Leak Detection program, but to also recognise that other capital investment solutions, such as pressure management, also play a role in reducing system leakage. For this reason, compliance is achieved if the water leakage level is within one standard deviation (+/- 16 ML/day) of the leakage target.

### **Sydney Water's performance to date**

Sydney Water has, over time, reached the forefront of expertise in leakage management.

Through our Leakage Management Program, which commenced in 1999, we have reduced leakage to less than eight per cent of drinking water supplied to customers each year. This result compares very well with water authorities around the world and achieves the highest grade in the World Bank Institute grading system for leakage management.

The Leakage Management Program consisted of a number of key elements:

- active leak detection and repair
- pressure management program to reduce high pressure areas in the system
- improved response time to main breaks
- improved flow-metering.

Two components of the Leakage Management Program, the pressure management program and the flow-meter upgrade program have now been completed and their benefits have contributed to reducing leakage to the current level.

However, leak management remains at the core of Sydney Water's daily operations, with water efficiency of our own operations now incorporated into business as usual activities. Reducing leaks makes commercial sense as this means there are fewer service interruptions. Annually over half the distribution network is scanned looking for leakage and leaks found are repaired. Sydney Water further reduces leakage through renewing aging pipes and meters, reducing pressures across network, improving its accounting for water and investing in new technologies to improve leak detection and repair.

### **Preference to measure compliance over a longer term**

With greater experience and knowledge of leakage management Sydney Water now understands that the ELL varies in time and is contingent upon a number of factors, many of these outside of Sydney Water's control. Program costs, cost of water, network expansion and changes in externalities such as legislation or government policy, customer behaviour in reporting leaks and internal improvements in processes and strategies can all affect the ELL.

Under our current Operating Licence, leakage compliance is measured using a one-year average. There is a significant lag (more than a year) between corrective actions to control leakage and leakage results being impacted. Responding to shorter term variations can be reactionary and uneconomical.

Sydney Water estimates that investment in leak detection programs to control leakage could be reduced as we make fewer adjustments to the program. It is estimated that, over the current licence period, we could have reduced expenditure by \$2 million if compliance was measured over a longer term average, such as five years.

## Appendix 3 Management system costs

All figures and estimates in this appendix are calculated in \$2014-15.

### ISO 14001 Environmental Management System certification

The approximate costs of certification and surveillance audits associated with maintaining an EMS to ISO 14001 are shown in Table 8, below.

**Table 8 Existing ongoing costs of ISO 14001 EMS certification**

Total current ongoing certification cost	
Surveillance audits (annual)	Approx. \$21,000
Certification (every 3 years)	Approx. \$31,000
<b>Annual ongoing costs</b>	<b>Approx. \$24,000<sup>54</sup></b>

In addition to these ongoing certification costs shown in Table 8, Sydney Water requires the following resources to manage and maintain the EMS:

- approximately \$850,000 a year for EMS staffing costs (these staff also work on other duties regarding environmental management)
- occasional hiring of additional specialist resources (to contribute to ongoing maintenance and implementation of the system, as required)
- additional internal auditing costs, as required (approximately \$20,000 a year).
- 

### Organisation wide certified Quality Management System

Sydney Water currently spends approximately \$80,000 – \$100,000 a year for external certification and audit costs for all system certifications throughout our business (ISO 9001, ISO 14001, ISO 27001, ISO 17025, AS 4801).

Of this, around \$26,000 is spent as an annual ongoing cost for our existing management systems relating to quality management. By implementing an organisation wide certified QMS, we estimate that we could reduce these annual ongoing costs to approximately \$23,000, as shown in Table 10. Therefore, after implementation, an organisation wide QMS certified to the ISO 9001 Standard would have a negligible ongoing cost difference compared to our current, multiple quality related systems.

**Table 9 Existing costs of ISO 9001 certification for quality management systems in Sydney Water**

Total current ongoing certification audit cost	
Surveillance audits (annual)	Approx. \$25,000
Certification (every 3 years)	Approx. \$31,000
<b>Approx. annual ongoing costs</b>	<b>\$27,000<sup>55</sup></b>

<sup>54</sup> This annual ongoing cost has been determined by splitting the certification cost over the three years. When certification audits are carried out (once every 3 years), there are no surveillance audits carried out that year.

**Table 10 Estimated costs of organisational wide QMS certified to ISO 9001**

<b>Initial set up and certification costs</b>	
Design/development cost	Approx. \$30,000
One off gap analysis	Approx. \$20,000
Certification (every 3 years)	Approx. \$30,000
Certificate (annual)	\$120
One off e-Learning piece	Approx. \$50,000
Face to face training (QMS reps)	Approx. \$15,000 (\$250/person)
Auditor training	Approx. \$17,000 total (to supplement existing pool)
<b>Approx. capital expenditure</b>	<b>\$160,000</b>

<b>Total ongoing certification audit cost</b>	
Surveillance audits (annual)	Approx. \$20,000
Certification (every 3 years)	Approx. \$30,000
<b>Approx. annual ongoing cost</b>	<b>\$23,000<sup>56</sup></b>

In addition to these ongoing certification costs shown in Table 10, Sydney Water would continue to require the following resources to manage and maintain a QMS:

- approximately \$840,000 a year for QMS staffing costs
- occasional hiring of additional specialist resources (to contribute to ongoing maintenance and implementation of the system, as required)
- additional internal auditing costs, as required (approximately \$15,000 a year).

It is anticipated that there will also be one-off resourcing costs to develop and establish an organisation wide QMS. Our initial estimates are that this would involve an initial outlay of around \$160,000. However, our current management system resources have sufficient capacity and potential to administer the system after this initial development stage. Sydney Water would also incur initial additional costs relating to the development of processes for any areas of business where these do not currently exist (these processes would be identified during the development stage).

It is important to note that the ISO 9001 standard only requires key business processes, not all processes, to be documented. It is appropriate that decisions regarding which processes this will include would be made by the business, not the regulator.

<sup>55</sup> This annual ongoing cost has been determined by splitting the certification cost over the three years. When certification audits are carried out (once every 3 years), there are no surveillance audits carried out that year.

<sup>56</sup> This annual ongoing cost has been determined by splitting the certification cost over the three years. When certification audits are carried out (once every 3 years), there are no surveillance audits carried out that year.



## Appendix 4 Online survey – questions and results

To inform the development of this submission, Sydney Water conducted an online survey in April 2014.<sup>57</sup> The questions and analysis of responses are set out below. As noted in section 4.3.2 of this submission, this type of survey provides insight into the views of respondents at a particular point in time.

Our ongoing surveys provide a longer term view of customer sentiment, and can track attitudinal trends over time. Accordingly, the results below were used to supplement other existing sources of customer insight. In line with our strategic commitment to be a customer focused organisation, we will continue to engage with our customers on an ongoing basis, to better understand their preferences, needs and expectations as they evolve over time.

### Question 1

Sydney Water's prices are set by the Independent Pricing and Regulatory Tribunal (IPART). IPART also sets conditions on how Sydney Water operates through Sydney Water's Operating Licence.

Were you aware of this?

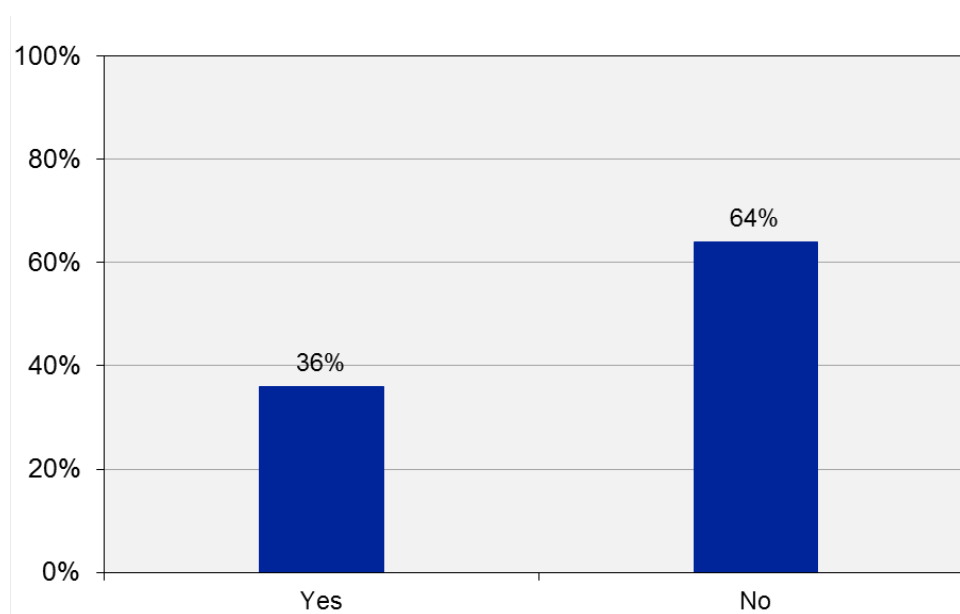


Figure 17 Percentage of customers aware that IPART sets prices

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<sup>57</sup> Online Research Unit (ORU), April 2014. The survey was carried out from 15-29 April 2014 and was completed by 824 bill-paying residential customers in our area of operations (respondents were screened to identify if they were Sydney Water customers).

## Question 2

One condition Sydney Water has to meet is to maintain **water pressure** at a certain level and not allow more than 6000 properties a year to experience low pressure.

Currently, Sydney Water more than meets this condition. The current overall average pressure is over 3 times the level required and only 1000 properties a year experience low water pressure.

Most of these properties only experience low pressure when the demand for water hits a peak (for example, a hot summer's day). The pressure drop lasts for a short period of 2 to 3 hours. You would only notice it if you were at home at the time.

By spending less on renewing pipes, savings could be made by Sydney Water. This might mean that more properties could experience low pressure for a short period of time during times of high demand for water. Provided no more than 6000 properties are affected each year, the Operating Licence condition would still be met.

This would help Sydney Water to keep your bill as low as possible.

Which of the following statements best reflects your point of view on this?

- a. I am happy to accept a possible reduction in water pressure
- b. I am not happy to accept a possible reduction in water pressure
- c. I have no opinion either way

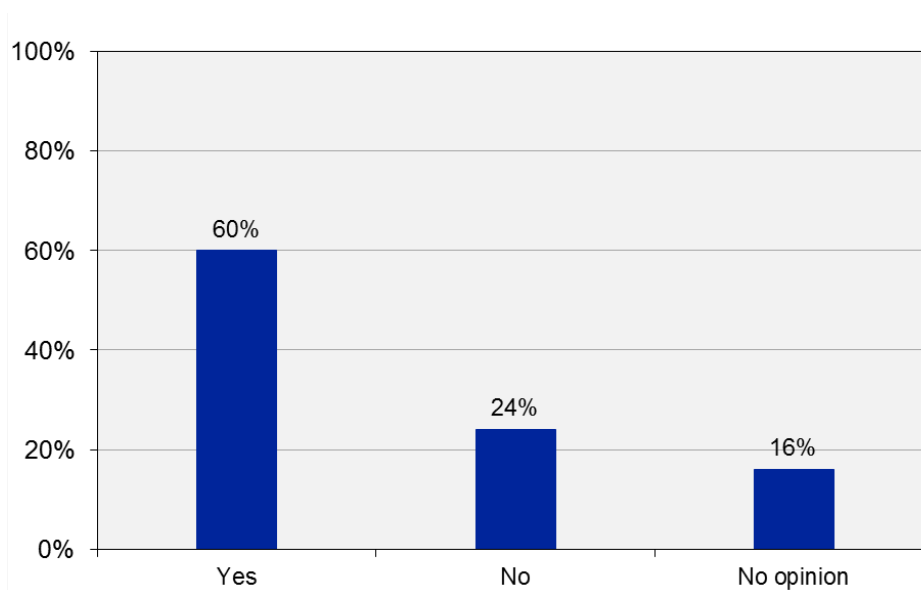


Figure 18 Response to accepting a possible reduction in water pressure to keep bills as low as possible

## Question 3

Sometimes Sydney Water may turn off your water to carry out emergency work. These are called **unplanned interruptions**. You would only notice one if you were at home at the time. Unplanned interruptions that last for more than 5 hours currently affect around 30,000 properties each year, under 2% of all the properties Sydney Water supplies water to. This performance meets the Operating Licence conditions, which set a limit of 40,000 properties each year.

By spending less on renewing pipes, savings could be made if the number of unplanned interruptions was closer to the Operating Licence condition. This could possibly increase to 40,000 properties experiencing an unplanned interruption that lasted more than 5 hours, just over 2% of the properties Sydney Water supplies water to. This would also help Sydney Water to keep your bill as low as possible.

Which of the following statements best reflects your point of view on this?

- a. I am happy to accept a possible increase in unplanned interruptions
- b. I am not happy to accept a possible increase in unplanned interruptions
- c. I have no opinion either way

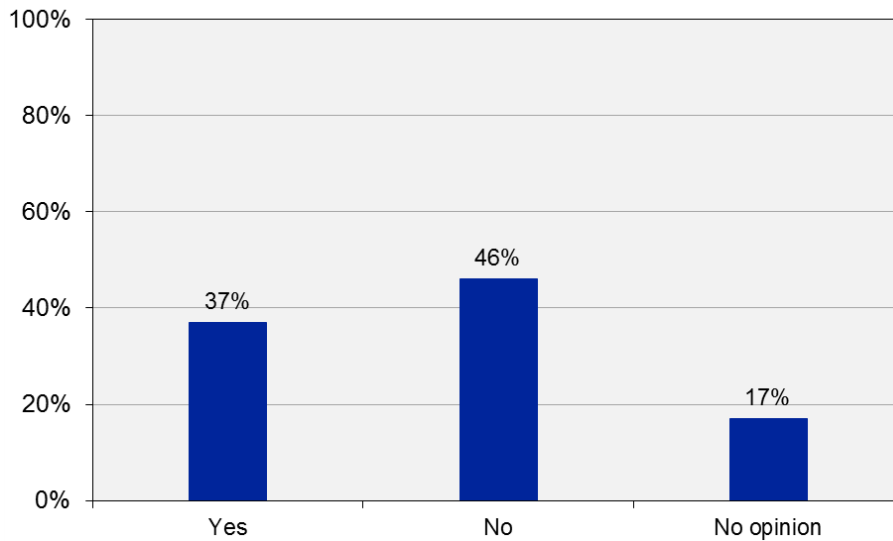


Figure 19 Response to accepting a possible increase in unplanned interruptions to keep bills as low as possible

#### Question 4

Another condition Sydney Water has to meet concerns **environmental planning and reporting**. An environment plan sets out the objectives, targets and actions required to protect the environment by managing and changing how a company operates to minimise its impact on the environment. Sydney Water is required to prepare a 5 Year Environment Plan and make the plan publicly available on our website. They also report separately to IPART on progress against 30 environmental indicators each year.

- a. Before today were you aware of Sydney Water’s Environment Plan?
- b. Have you ever read any part of the plan?

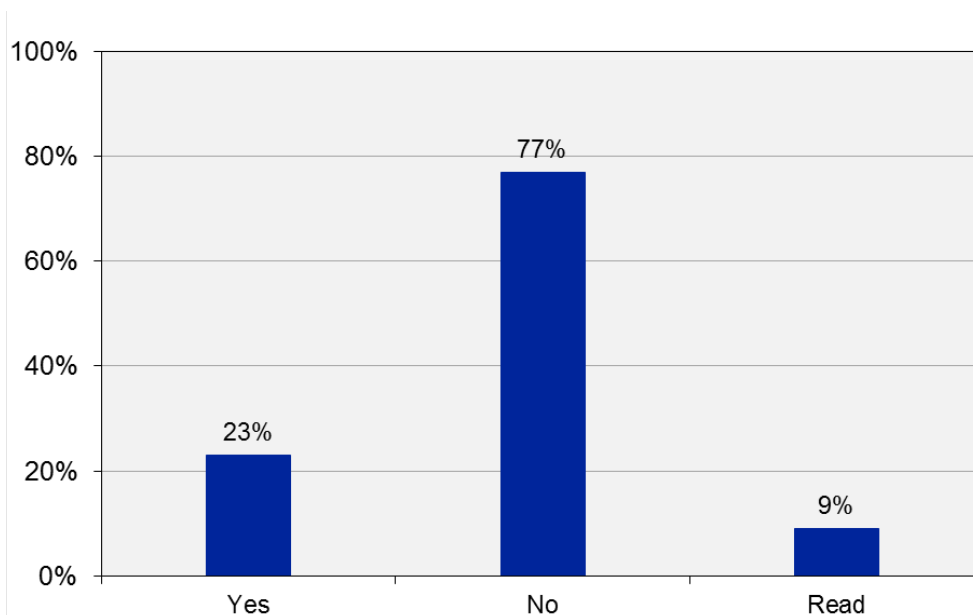


Figure 20 Awareness of Sydney Water’s Environment Plan

## Appendix 5 Proposed changes to the Customer Contract

Specific changes that we are proposing to our Customer Contract as part of this end of term review of the Operating Licence have been included in this appendix.

New additions to the Customer Contract that are being proposed by Sydney Water are highlighted in yellow. Some text has also been deleted.

If you would like to compare our proposed changes with the current Customer Contract, this can be accessed via the Sydney Water or IPART website. The contract is included in the Operating Licence at Schedule 2.



Sydney Water's proposed  
*Customer Contract*

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## Foreword

Sydney Water provides water, wastewater, and some stormwater services to people in Sydney, the Illawarra and the Blue Mountains.

Sydney Water's key objectives are protecting public health, protecting the environment, and operating as a successful business.

This *Customer Contract* outlines your rights and obligations as a customer and sets out the minimum standards of customer service that you can expect. It is our service guarantee to our customers. It also outlines Sydney Water's rights and obligations to help us meet our key objectives.

For more information about Sydney Water and the services we provide, visit [sydneywater.com.au](http://sydneywater.com.au) or call us on 13 20 92.

## 1 Introduction

### 1.1 Words used in this contract

Some of the words used in this contract have a special meaning. The meanings are set out in the definitions in Part 15 at the end of this contract.

### 1.2 Understanding the contract

There are a number of provisions in Part 15 at the end of this contract that may assist you in interpreting the contract.

Other than clause 7.7, which sets out how our liability is limited, nothing in this contract is intended to remove or limit any statutory rights you may have under legislation that cannot be excluded, including the consumer guarantees regime under the Australian Consumer Law.

## 2 What is a *Customer Contract* and who is covered by it?

### 2.1 What is a *Customer Contract*?

This contract is between us, Sydney Water and you, the customer.

This contract provides the terms under which we provide, where available, water, wastewater, and stormwater services to you. This contract also sets out rights and obligations including your rights in any dispute with us.

This contract is a legally enforceable document and is a requirement of the *Sydney Water Act 1994*.

This contract is summarised in a separate brochure called 'Our contract with you'. Copies of this brochure are available on our website or by contacting us.

## 2.2 Who is covered by this contract?

You are our customer and are covered by relevant clauses of this contract if:

- you are the owner of property within our area of operations that is connected to a water main or wastewater system owned by us and that connection has been authorised or approved by us and/or
- you receive water and/or wastewater services from us.

If you have a contract for the supply of water and/or wastewater services from a supplier licensed under the *Water Industry Competition Act 2006*, this contract only applies to you for the services you receive from us.

You are also our customer and covered by this contract (except parts 3, 6, 10 and clauses 8.1, 8.2 and 8.3.) if:

- you are the owner of property that is within a declared stormwater drainage area or
- you are the owner of property that is within the Rouse Hill stormwater catchment area or
- you are liable to pay us charges for the services we provide.

You may be entitled to an exemption from service charges based on the use of your land. This contract may be replaced by new residential and non-residential contracts. If this occurs, we will notify you in accordance with clause 14.2.

## 2.3 Other agreements with us

If you have a separate agreement with us (for example trade waste, pressure wastewater systems, sewer mining, stormwater harvesting or recycled water agreement), that agreement will take precedence over the terms of this contract, to the extent of any inconsistency between them.

We may enter a separate agreement with you to provide different levels of service where possible. Before entering a separate agreement with you, we will provide you with an estimate of the costs to supply you with the service requested and advise you if the service that we have agreed to provide is below the standards set out in this contract.

## 2.4 When does this *Customer Contract* commence?

This contract commences on 1 July 2015, or on the date when water supply or wastewater services to your premises are transferred to Sydney Water from a supplier licensed under the *Water Industry Competition Act 2006*, whichever is sooner.

On its commencement this version of the contract replaces any previous *Customer Contract* between you and us. Any rights and liabilities that have accrued under any previous contract with us are not affected by the commencement of this contract.

### 3 What services does Sydney Water provide?

#### 3.1 Water supply services

##### 3.1.1 Supply of water

We will supply **you** with water to meet **your** reasonable needs except:

- in the case of planned or unplanned interruptions, under clauses 3.4.2 and 3.4.3
- in the case of restrictions under clause 3.4.4
- where we are entitled to restrict or discontinue supply under clause 6
- in the case of events beyond our reasonable control.

To receive recycled water from us, your property must be within a Sydney Water recycled water area or you must enter into a separate agreement with us.

If you are supplied with recycled water, we will give you information on the standard requirements for its safe use at the time we commence supply to you. We are not responsible for your use of recycled water contrary to the information we provide.

##### 3.1.2 Drinking water quality

The drinking water we supply a customer will comply with the health, related guidelines provided in the *Australian Drinking Water Guidelines* as specified by NSW Health, and any other related guidelines, as required by the *Operating Licence*.

##### 3.1.3 Recycled water quality

The recycled water system and the recycled water we supply a customer will comply with the *Australian Guidelines for Water Recycling* as agreed by NSW Health.

##### 3.1.4 Drinking water pressure

We will ensure that the drinking water we supply to your property is at a minimum of 15 metres head of pressure at the point of connection to Sydney Water's system. This is recognised as suitable for residential and non-residential users.

### 3.1.5 Health or special needs

Your health provider will notify us if you require a water supply to operate a life support machine or for other special health needs. You may be eligible for an allowance on your water usage charge.

## 3.2 Wastewater services

### 3.2.1 Supply of wastewater services

If your property is connected to our wastewater system, we will supply you with wastewater services to meet your reasonable needs for the discharge of domestic wastewater except:

- where we are entitled to discontinue supply under clause 6
- in the case of planned interruptions and unplanned interruptions, under clauses 3.4.2 and 3.4.3
- in the case of events beyond our reasonable control.

### 3.2.2 Wastewater overflow

We will make every reasonable effort to minimise the incidence of wastewater overflows on your property due to a failure of our wastewater system.

In addition to any statutory rights you may have under any legislation, including the Australian Consumer Law, if there is a wastewater overflow on your property due to the failure of our wastewater system, we will ensure that:

- inconvenience and damage to you is minimised;
- the affected area is suitably and promptly cleaned up at our cost and in a way that minimises the risk to human health and the environment; and
- any rebate or redress that may be due to you under clauses 7.2, 7.3 and 7.5 are paid or provided.

### 3.2.3 Trade wastewater

You may discharge trade wastewater into our wastewater system only if you have obtained our written permission and entered into an agreement with us.

We will give you our written permission and enter into an agreement with you only if we are able to accept, transport and process trade wastewater that you discharge in full compliance with applicable safety and environmental laws, the Operating Licence and the Act.

You can contact us to obtain further information on the guidelines and standards for a trade waste **discharge**.

#### 3.2.4 Pressure **wastewater** system connection

If you are connected to a pressure wastewater system provided, owned and installed by Sydney Water on or after 1 July 2015, you must enter into a separate additional service agreement covering the operation and maintenance of the pressure wastewater system.

If you were connected to a pressure wastewater system prior to 1 July 2015, refer to our 'responsibilities of connected customers' policy, as amended from time to time, for operation and maintenance requirements. This is available on our website or in print by request.

#### 3.2.5 Sewer mining and stormwater harvesting

You may extract from our wastewater or stormwater **drainage** systems only if you have obtained our **prior** written permission and entered into an agreement with us **for this activity**.

### 3.3 Stormwater services

We will provide you with a service to transport stormwater through stormwater drainage systems under our control if your property is within a Sydney Water declared stormwater drainage area **or within the Rouse Hill stormwater catchment area**.

If your property is within a declared stormwater drainage area **or within the Rouse Hill stormwater catchment area** we will charge you for this service set by the Independent Pricing and Regulatory Tribunal of NSW (IPART).

We can provide information to assist you in determining whether your land is within a declared stormwater drainage area **or within the Rouse Hill stormwater catchment area** and whether Sydney Water stormwater pipes or channels are located within or adjacent to your property.

We will notify you if an area is newly declared a stormwater drainage area and it affects your property.

### 3.4 Factors affecting service

#### 3.4.1 Repairs and maintenance

If we undertake any work **on our assets** on or adjacent to your property, we will leave the affected area and immediate surrounds as near as possible to its original state which existed prior to the works being undertaken, unless we have agreed to a different arrangement with you.

### 3.4.2 Unplanned interruptions

If there is an unplanned interruption to your water supply service or wastewater service, we will minimise the inconvenience to you by:

- restoring the service as quickly as possible
- providing as much information as practicable on a 24 hour leaks and faults telephone service (see clause 11.4)
- providing access to emergency supplies of water where reasonably practicable and necessary having regard to the particular circumstances.

### 3.4.3 Planned interruptions

We may need to arrange planned interruptions to your water supply services and wastewater services to allow for planned or regular maintenance of our water or wastewater system.

We will inform you of the time and duration of any planned interruption, at least two days in advance if you are a residential customer, and seven days in advance if you are a non-residential customer, unless you agree to another period.

We will use our best endeavours to ensure the planned interruption is no longer than five hours in one continuous period.

### 3.4.4 Water restrictions

At the discretion of the Minister or Government, we may interrupt or limit water supply services to you or place conditions on water use. You must comply with the supply conditions during this time.

We will publish in major newspapers throughout our area of operation and on our website supply conditions. These may include:

- restrictions on the use of water, including the purpose for which water may be used
- a variation of charges consistent with the Act and *Operating Licence*
- other conditions that we consider appropriate, including the period or likely period of restrictions or limitations on supply and usage of water.

We will also make every reasonable effort to notify you in your next **bill** of supply conditions.

## 4 What you pay

### 4.1 Responsibility to pay the account

You must pay us the amount on your bill by the date specified unless you have made other payment arrangements with us.

### 4.2 Publication of charges

We will publish on our website up to date information on our charging policies and current charges in accordance with clause 4.10. This information will also be provided to you on request.

### 4.3 Concessions

You are eligible for a government funded pension concession if you hold one of the recognised pensioner concession cards. You must apply to us for the concession and establish your eligibility.

If you are eligible for the concession, we will ensure that it is granted from the commencement of the next quarterly charging period after your application for a concession was lodged.

To obtain information on whether you are eligible for a concession, contact us. On request, we will provide information about concessions in languages other than English.

### 4.4 Your bill

#### 4.4.1 When will your bill be sent

We will issue you a bill for the services that we provide. You will be sent a bill on a quarterly basis, unless otherwise agreed.

Non-residential customers with high water usage and wastewater disposal may be sent an account on a monthly basis.

We will provide copies of your bills or a statement to you of all charges for the previous 12 months on request, free of charge.

#### 4.4.2 What information is on your bill

We will provide you with a bill identifying the usage and service charges and any other charges payable for the bill period. We will also provide you with information on payment options and how to access payment assistance.



Information in community languages about the availability of interpreter services and the phone number for these services will be available on our website or on request.

#### 4.4.3 How bills are sent

We will send your bill to the postal address you nominate.

If you do not nominate a postal address, the bill will be sent to:

- the property to which the services are available or provided
- your last known postal address.

On your request we may send your bill electronically.

Your bill will be considered delivered to you if it is sent by one of these means.

#### 4.4.4 How payment can be made

We will provide a range of payment options including in person, by mail, via the internet or by direct debit.

#### 4.4.5 Overdue account balances

We may charge you interest or a late fee on overdue account balances. We will not charge interest or a fee if we have already agreed with you on a deferred payment date or on an arrangement to pay by instalments.

### 4.5 Undercharging

If your bill is less than what you are required to pay us (that is, we have undercharged you) as a result of our error, we may adjust your next bill to charge the undercharged amount as a separate item.

If you have not obtained the appropriate approvals or notified us of building work or connections, we may charge you from a date we determine the connection occurred. We will adjust your next bill to charge any outstanding amounts.

If the undercharging is due to you providing false information or there has been an unauthorised connection or you have breached this contract or Act, you must pay the correct amount on request. We will state the amount to be paid as a separate item in your next bill.

## 4.6 Overcharging

If your **bill** is greater than what you are required to pay us (that is, we have overcharged you) due to our error, we will apply a credit to your next **bill** after we become aware of the error.

## 4.7 Billing disputes

If there is an unresolved dispute concerning an amount of money to be paid by you, we will not seek the **disputed** amount from you until the dispute has been resolved.

You are obliged to pay **any** undisputed charges **or fees** by the due date.

## 4.8 Wastewater (**sewerage**) usage charges

The wastewater (**sewerage**) usage charge applies to non-residential customers only. We will determine a wastewater (**sewerage**) discharge factor that is used to calculate wastewater (**sewerage**) service charges.

Where a discharge factor is varied the revised charge will apply from the beginning of the next billing period. We will notify you of any change to your discharge factor, **in accordance with clause 4.10.**

## 4.9 How prices are determined

We may vary charges from time to time, but only in accordance with our Operating Licence, the Act and the maximum prices, guidelines and methodologies determined or issued by IPART.

## 4.10 Notification of price variations

We will publish any variations to our charges **on our website** and provide details on your **bill**. The variation will commence on:

- the first day of the next quarter **after the variation has been published;** or
- any other date we nominate after we have published the **variation.**

**We will also provide details of any variation to the changes on your bill.**

## 4.11 Other costs and charges

### 4.11.1 Dishonoured or declined payments

If payment of your **bill** is dishonoured or declined, we may charge you the dishonoured or declined payment fee.

We may refuse to accept personal cheques or card payments for a specific bill where two dishonoured payments have been provided. We may refuse future payments by these means if you have a history of dishonoured payments.

#### 4.11.2 Payment adjustments

If we incorrectly apply a payment to your bill, we will reverse the payment and inform you of this reversal.

#### 4.11.3 Costs for installing and connecting services

You must pay the installation costs of a connection from your property to our water, wastewater or stormwater drainage systems.

Connection to our water, wastewater or stormwater drainage system must be approved by us and comply with the conditions we set to ensure the safe and reliable supply of services. A new connection point that requires works on our systems can only be carried out by us or a provider listed by Sydney Water.

#### 4.11.4 Charges for other matters

We may charge you a fee for any other services you request from us. We will publish these fees on our website and provide you with information on request.

We may also charge you other fees, charges and amounts where we are entitled to do so under the Act.

### 4.12 Exchange of information

To the extent permitted by law, we may exchange information about your creditworthiness, credit standing, credit history or credit capacity with credit reporting agencies, other credit providers, other suppliers, or our agents, contractors and franchisees.

## 5 What can I do if I am unable to pay my bill?

### 5.1 Payment difficulties and assistance options

If you are experiencing financial hardship you should contact us and we will provide you with information about options available to assist you. All reasonable effort will be taken by us to provide assistance to you.

If you are experiencing financial hardship, you have the right to:

- be treated sensitively on a case by case basis, by us

- receive information from us on alternative payment arrangements
- deferred payment for a short period of time
- negotiate an amount you can afford on an agreed instalment plan. If you are a non-residential customer these arrangements will be based on reasonable commercial considerations and market conditions
- access to a language interpreter, if required, at no cost to you.

Additionally, if you are a residential customer experiencing financial hardship, you will be offered a range of **options** that may assist you including:

- **the option to pay regular smaller** amounts, which may fit better with your income
- information from us about an accredited welfare agency for payment assistance
- payment assistance scheme **credit** issued by an accredited welfare agency **or us**
- other appropriate government concession programs
- financial counselling services.

If you enter into a payment plan arrangement with us, we will:

- enable you to make payments by instalments, in advance or arrears
- inform you of the following:
  - the period, or periods of the payment plan
  - the amount and frequency of each instalment
  - if you are in arrears, the completion date of the payment plan required to pay the arrears
  - if you choose to pay in advance, the basis on how the instalments are calculated
- provide for instalments to be calculated having regard to your consumption needs, your capacity to pay and the amount of arrears you are required to pay
- ensure that your arrears are cleared over a period of time and your debt does not continue to grow
- provide you with procedures that are fair and reasonable for dealing with the financial difficulty.

If you are experiencing financial hardship and have entered into a payment arrangement with us and honour that arrangement, we will:

- not take any legal action to enforce the debt or disconnection or restriction of the supply of water to your property

- waive interest and late fees on the overdue amount for the period of the arrangement.

## 6 Disconnection or restriction of water and wastewater services

### 6.1 Disconnection or restriction

If you fail to pay your bill by the due date and have failed to make alternative arrangements for payment, we may disconnect or restrict the supply of water to your property. This will be done in accordance with our policies and procedures relating to customer hardship, debt, water flow restriction and disconnection for non-payment, as amended from time to time.

Information on these policies will be sent to you annually with your quarterly or other bills and is also available on our website or on request.

### 6.2 Notice of disconnection or restriction of supply of water to residential customers for non-payment

If you fail to pay your bill by the due date we will send you a reminder notice. The reminder notice will:

- state that payment is immediately due
- state that you should contact us if you are having difficulty making payment and we will provide you with payment options, including payment arrangements
- advise you of your right to raise your concerns with the water industry ombudsman if you have attempted to resolve this with us and are not satisfied with a decision made by us.

If you fail to comply with the reminder notice, we will send you a disconnection notice advising you that:

- you must pay the bill immediately otherwise we may take action to restrict or disconnect the supply of water to your property or legal action to recover the amount outstanding
- you may incur additional costs relating to us disconnecting or restricting the supply of water and/or taking legal action to recover the amount outstanding
- the supply of water to your property may be restricted or disconnected without further notice
- you have the right to raise your concerns with the water industry ombudsman if you have attempted to resolve this with us and are not satisfied with a decision made by us

- you should contact us if you are having payment difficulties and we will provide you with information about options available to assist you.

We may restrict or disconnect the supply of water to you if:

- we issued the disconnection notice and we have attempted to make further contact with you about the non-payment; or
- you have agreed to alternate payment options, but have failed to make the agreed payments.

In addition to clause 6.7, we will not restrict or disconnect the supply of water for a failure to make due payment where:

- you have applied for a payment plan that is being assessed; or
- you are complying with the agreed terms of a current payment plan.

The notices referred to in this clause will be sent to you in the same manner in which bills are sent to you under clause 4.4.3.

If you receive a bill for a new billing period that contains an overdue amount from a previous billing period, we may disconnect or restrict supply on the arrears after issuing you with the appropriate notices relating to the overdue amount as described in this section.

### **6.3 Notice of disconnection or restriction of supply of water for non-residential customers for non-payment**

If you are a non-residential customer and you fail to pay your bill by the due date, we may disconnect or restrict your supply. We will not disconnect or restrict your supply without first giving you notice and an opportunity to pay. Details are provided in our 'overdue payments and disconnections for non-payment' policy that is available on our website, as amended from time to time.

### **6.4 Disconnection or restriction for other reasons**

We may also disconnect or restrict the supply of services to your property in the following circumstances:

- If you are illegally connected to our services
- if private works for the supply of water or wastewater to your property are defective
- you have breached this contract, the Act, your additional services agreement or any other agreement with us
- you fail to rectify a defective service as per clause 8.7 of this contract

- if sewer mining or stormwater harvesting facilities are not authorised by us or do not comply with applicable laws
- you discharge trade wastewater into our wastewater system without our written approval or you do not comply with the requirements of our written approval
- where you fail to ensure access to our meter. Prior to taking this step, we will use our best endeavours to contact you to arrange reasonable access, leave a notice requesting access and provide you with a disconnection warning
- where you fail to meet our published metering requirements
- if you are connected to a pressure sewer system that is maintained by Sydney Water and you do not comply with your Home owner's manual
- if a serious health or environmental risk is posed by the discharge of chemicals into our wastewater system
- if you have not installed a backflow prevention containment device if required to do so by us
- if you have not correctly installed or maintained your backflow prevention containment device or have failed to provide an annual test report by the due date
- you use your recycled water in a manner inconsistent with its intended purpose or in a manner contrary to the information we provide on its safe use
- where we are entitled or required to restrict or to discontinue supply by direction of the Minister or under an applicable law
- where access to the meter or poor quality of your pipes prevent us from exchanging the meter and you have failed to address this within 30 days of us notifying you.

#### **6.5 Occupiers (tenants) may pay charges to avoid restriction or disconnection**

In some circumstances we may accept payment of outstanding charges by an occupier (tenant) who may deduct them from rents otherwise payable, as permitted under the Act.

#### **6.6 Minimum flow rate during restriction**

If we restrict the supply of water to you, we will provide a flow sufficient for health and hygiene purposes. If you believe that the restriction will cause a health hazard you should contact us and we will consider increasing the flow.

#### **6.7 Limitations on disconnection or restriction**

Under no circumstances will we restrict or disconnect the supply of water to your property:

- without providing reasonable notice to the occupier of the property that we intend to restrict the supply

- without giving you the notices under clause 6.2 **where the reason is for non-payment of your bill**, except when an order is issued under a relevant Act
- without providing the occupier with information on our **policies** relating to customer hardship, debt, water flow restriction and disconnection for non-payment
- if a related complaint is being considered for resolution by **us** or the water industry ombudsman
- **without advising the occupier that in some circumstances the Act permits a tenant to pay outstanding charges and deduct them from rents otherwise payable and providing the occupier with reasonable opportunity to pay the bill.**

**We will only commence a restriction or disconnection on a business day (excluding Fridays and the day before a public holiday), prior to 3pm.**

## **6.8 Disconnection by a customer**

You may disconnect your property from our water or wastewater system provided that:

- you have complied with all applicable health, environmental and local council regulatory requirements;
- **you have complied with all requirements of Sydney Water, as detailed in the policies published on our website, as amended from time to time;**
- you have given us information we may reasonably require;
- **you have given us 10 days written notice and you have obtained our written permission; and**
- the disconnection is undertaken by a licensed plumber and conducted in accordance with plumbing, drainage or other regulations or standards that may apply.

On disconnecting your property, we may recover any equipment that Sydney Water installed on the property and may continue to charge you a service **availability** charge **in accordance with the Act**. You may apply to us to be exempted from this charge.

## **6.9 Restoration of water supply after restriction or disconnection**

Following restriction or disconnection of **your water supply** we will provide you with information to enable you to make arrangements for the **restoration of the supply**. **A restoration fee will apply.**

When the reason for the disconnection or restriction of supply no longer exists or if there is mutual agreement to restore supply, we will restore your supply:

- on the same day, if you pay or we agree to other arrangements before 3 pm on any business day
- on the next business day if you pay or we agree to other arrangements after 3 pm.



When the conditions for restoration are met after 3 pm, we may restore supply on the same day but you may be asked to pay an after hours **restoration** fee.

## **6.10 Costs for debt recovery activities**

We may recover from you our reasonable costs associated with debt recovery under this contract.

## **7 Redress**

### **7.1 Notification**

If you notify us of a failure by us to comply with this contract or our activities result in inconvenience, damage or loss to you or your property we will promptly advise you of:

- your right to a rebate or redress under clauses 7.2, 7.3, 7.4 or 7.5 for residential customers
- your right to redress options available under clause 7.5 for non-residential customers
- how we may rectify your problem
- how to seek compensation from us under clause 7.6.

### **7.2 Rebates**

We will provide a rebate to a residential customer for an occurrence of the following:

- Planned interruption.

Where your water and/or wastewater services are interrupted for over five hours you are entitled to an automatic rebate of **\$35**. You will be eligible for this rebate for each and every event that you experience.

- Unplanned interruption

Where your water and/or wastewater services are interrupted for over five hours, you are entitled to an automatic rebate of **\$35**. If you experience three or more unplanned water interruptions in a 12-month period the rebate outlined in clause 7.3 will apply.

- Low water pressure

Where your drinking water is below 15 metres head of pressure at the point of connection to Sydney Water's system for a continuous period of **one hour**, unless as a result of a supply interruption, you will be entitled to a rebate of **\$35**. This rebate will be payable for one event each quarter. A rebate will be granted automatically when you are identified through our monitoring.

- Wastewater overflow

If you experience a wastewater overflow on your property due to a failure of our wastewater system, you are entitled to a rebate of \$60. If you experience two or more events in a 12-month period the rebate outlined in clause 7.4 will apply.

- Dirty water

If we do not provide you with clean water suitable for normal domestic purposes, you may be entitled to a rebate of \$35.

If the cause of the problem is identified in your water system the rebate will not apply.

- Boil water alert

If NSW Health issues a 'boil water alert' due to contamination of drinking water caused by us, you are entitled to a rebate of \$35.

We will pay the rebate in your next bill where possible.

### **7.3 Rebates for recurring unplanned water interruptions**

If you experience three or more unplanned water service interruptions over one hour to your property in a 12 month period, you will be entitled to a rebate after the third event of \$125.

### **7.4 Rebates for recurring wastewater service disruption or internal wastewater overflows**

If you experience two or more wastewater service disruptions or internal wastewater overflows on your property in a 12 month period due to capacity constraints in our system, you will be entitled to a rebate after the second event of \$500.

### **7.5 Redress**

In addition to our obligation to pay a rebate under clauses 7.2, 7.3, and 7.4, we may provide one of the following forms of redress:

- reinstatement
- repair
- rectification
- construction of works
- providing alternative supplies of water
- emergency accommodation

- payment for damages as set out in clause 7.6.

If you are unsatisfied with the form of redress we provide you, you may request additional redress from us. We will consider your request in accordance with the timeframes in clause 12.1 as if your request were a complaint.

## 7.6 Claim for damages

In the event of physical loss or damage to you or your property that may be as a result of our activities or our failure to comply with this contract, the *Operating Licence* or **the Act**, we may compensate you for any loss suffered.

You should make your initial claim to your insurance company. If your loss is not covered by an insurance policy you may notify us for consideration.

All claims must be submitted in writing on an incident notification form that is **available on Sydney Water's website** or by contacting us. You must specify the nature of the problem and the compensation sought.

We will within five working days of receiving your claim:

- acknowledge receipt of your claim
- advise you of the name and contact details of our representative who **will assist** you **with** your claim.

We will undertake investigations into the circumstances surrounding the claim/incident and provide a response time for making a decision in regard to your claim.

You will be provided with a written assessment of your claim within the response time indicated. The assessment will outline the reasons for the decision in regard to your claim and the type of compensation to be provided, if any.

If you are not satisfied with our decision, you have the right to seek review of your claim under clause 12.2 or you may seek an external review under clause 12.4.

## 7.7 Limitation of liability

**The law (including the Australian Consumer Law) may provide non-excludable statutory guarantees and other rights which apply to the goods and services we provide under this contract. If you are a consumer under the Australian Consumer Law, our goods and services come with guarantees that cannot be excluded under that law. The only additional** assurances we make about the goods and services we provide under this contract, and the only conditions and warranties included in this contract are:

- those set out in this document; **and**
- those that the law (for example, the **Australian Consumer Law**) say are included.

However, where we are liable to you because of a **consumer guarantee**, our liability is to the extent permitted by law, limited to:

- replacing the goods and services to which the breach relates; **or**
- at our option, paying you the cost of replacing those goods, or having the services supplied again.

The limitation of our liability does not affect rights you have under a law that applies to us that says we cannot exclude or limit our liability.

## 8 Responsibilities for maintenance

### 8.1 Water pipes

If you are a property owner, you own and are responsible for maintaining all of the pipes and fittings between our water system and the buildings and/or taps on your property. This is referred to as your water system.

As a property owner, you are responsible for any damage caused by a failure of your water system.

If you notify us of a failure **of your drinking or recycled water service**, we will repair your water system between our water system and the water meter. **However**, if the water meter lies **more than** one metre along **your** pipe inside **the** property boundary, **or there is no water meter, we will provide this service only** up to one metre along your pipe inside the property boundary. **The property boundary is where private pipework leaves public land and enters private land.**

If you prefer that we do not repair a failure in your water system, you must have the fault repaired by a licensed plumber in accordance with the **Plumbing Code of Australia or any other acts**, regulations or standards that may apply.

**However**, we are not responsible for the repair of:

- **unauthorised** services and water services installed contrary to appropriate codes, regulations and standards
- fire services, **both inside and outside the property boundary**
- backflow prevention devices
- **water services connecting to privately owned water mains, such as in some community title subdivisions, or shared private joint services or extended private services**
- faults caused by your wilful or negligent **act or omission**.

If we make repairs to your water pipes, we will backfill and make safe any excavations required on your property. We will not restore any landscaping, structures or hard surfaces.

We will also not meet the costs of installing new private services or modifying, upsizing or relocating existing private services.

We are not responsible for installing, maintaining or annual testing of backflow prevention containment devices on properties, except where the device is integrated into the water meter supplied by Sydney Water.

## 8.2 Wastewater pipes

You are responsible for maintaining all wastewater pipes and fittings between your property and the connection with our wastewater system. This is referred to as your wastewater system.

The point of connection with our wastewater system may be outside your property. If you do not know where the point of connection is, you should contact us for information on where to obtain a diagram.

If a fault occurs in your private wastewater system, you are responsible for arranging to have the fault rectified by a licensed plumber or drainer.

If the fault occurs in our wastewater system we will repair the fault at our cost. However, you may be liable to pay for the repair to the extent you have contributed to the fault.

As a service, Sydney Water will repair collapsed private wastewater pipes where the collapse is located within a footpath or roadway and a licensed plumber has confirmed that the fault cannot be repaired without excavation of the footpath or roadway and replacement of the collapsed wastewater pipes. However, we will not provide this service for unauthorised wastewater systems installed contrary to appropriate codes, regulations and standards.

## 8.3 Pressure wastewater systems

If you were connected to a pressure wastewater system prior to 1 July 2015, refer to our 'responsibilities of connected customers' policy for operation and maintenance requirements, as amended from time to time. This is available on our website or in print by request.

If you are connecting to, or you buy a property that is connected to an existing pressure wastewater system after 1 July 2015, you will be required to enter into an additional services agreement that outlines the operations and maintenance requirements of the pressure wastewater system.

## 8.4 Private joint water or wastewater pipes

If you share a private joint service for a water or wastewater pipe you are jointly responsible for the cost of its maintenance, including damage to private or public property resulting from a defect in the private joint service. Your shared responsibility starts from the point of connection to our main. The apportionment of costs incurred in its maintenance is a matter between you and others who share it.

Disconnection of private pipes from private joint services for either water or wastewater is a matter between the relevant joint service property owners. We have no authority in respect of disconnection from private joint services.

## 8.5 Stormwater connections, coverings and bridges

You are responsible for the maintenance of any connections between your property and our stormwater channel, pipe or culvert.

You are responsible for the maintenance of any coverings, bridges or similar structures within your property that cover or cross our stormwater channels, pipes or culverts unless they are owned by us.

## 8.6 Water efficiency

You may install water efficient plumbing fixtures, appliances and equipment, such as those recommended under the Water Efficiency Labelling and Standards Scheme.

You may install water saving devices, for example:

- that collect and use rainwater for your own use. If you have a rainwater tank connected to our system, backflow prevention is required to be installed
- a composting toilet that does not require connection to our water or wastewater system.

You must comply with BASIX requirements, plumbing regulations and health, environmental and local council requirements when installing water saving devices. Approval may be required from your local council.

On request, we will provide you information on how to use water efficiently.

## 8.7 Defective work

If we become aware of any defective or unauthorised work to your water, wastewater or stormwater service, we will request the defect to be fixed within a reasonable time.

If you do not comply with the notice, we may undertake to restrict your water supply or disconnect your wastewater connection until it is fixed. We may also undertake to remedy

the defective or unauthorised work and you may be charged the reasonable costs incurred by us in undertaking this work.

### **8.8 Giving notice of system failures**

You should inform us if you become aware of any failure of our water, wastewater or stormwater **drainage** system. If you notify us of an interruption to your water supply, a burst or leak in our water system, a disruption to the wastewater drainage from your property or an overflow or leakage from our system, we will ensure that the problem is attended to as soon as practicable.

### **8.9 Building work**

You must not undertake **any excavation, building, landscaping or construction work on your property** without firstly identifying the location of our assets, and obtaining our consent if required. **You can obtain a plan from us identifying the location of our assets.**

**We will request you to remove any unapproved structure or landscaping work that interferes with our system at your cost. If you do not comply with our request within the required timeframe, we will remove the unapproved work and charge you the reasonable costs incurred by us in undertaking this work.**

Properties with an existing water service must be metered during the building period. The meter must be accessible (as described in clause 10.4) at all times.

### **8.10 Connections to services**

**You must apply and have our written consent to be able to connect to our services.**

**Once your application is approved,** connections to our water, wastewater or stormwater **drainage** systems are to be made using the services of a **provider listed by Sydney Water** or licensed plumber and in accordance with plumbing, drainage or other regulations or standards that may apply.

### **8.11 Altering and unauthorised connection or use**

You must not:

- wrongfully take, use or divert any water supplied by us;
- **use a dedicated fire service for any purpose other than fire fighting or testing of the fire service;**
- wrongfully interfere with the operation of a meter, **metering system** or prevent a meter from registering the quantity of water supplied by us; **or**
- wrongfully discharge any substance into a system owned by us.

If you do not comply with the requirements in this clause, we may charge you for the estimated amount of water used. Fines may apply.

You must obtain our consent before carrying out any activity that may alter, cause destruction of, damage or interfere with our water, wastewater or stormwater **drainage** systems.

## 8.12 Removal of trees

If a tree on your property is obstructing or damaging our water, wastewater or stormwater **drainage** system, or is reasonably likely to do so, we may require the removal of the tree at your cost.

We will give you 14 days notice in writing requiring you to remove the tree. You may with our consent and at your cost, take steps to eliminate the cause of damage or interference to our water, wastewater or stormwater **drainage** system, without removing the tree.

We will reimburse you for reasonable expenses incurred in removing the tree if:

- you could not have reasonably known that the planting of the tree would result in the damage or interference
- an easement did not exist in favour of our system when the tree was planted.

If you fail to comply with the notice to remove the tree, by the specified date without reasonable cause (such as a delay or failure in obtaining consent from Council or refusal from the Council to allow you to remove the tree), then we may remove the tree and recover the costs of removal from you.

We cannot require a tree to be removed that is the subject of a protection or conservation order under the *Heritage Act 1977*, the *National Parks and Wildlife Act 1974* or any applicable law.

## 9 Entry onto a customer's property

### 9.1 Access to Sydney Water's systems

You must ensure that we have safe access to your property to:

- maintain our water, wastewater and stormwater **drainage** systems
- to ensure that this *Customer Contract* or the Act is being complied with
- for other purposes set out in the Act or other applicable laws
- to read, **fit, exchange or maintain a** meter.



## 9.2 Identification

When we enter your property, our staff or contractors will carry identification that will be shown to you (or to any person present at the time of access).

## 9.3 Notice of access

We will give you, or the occupier of your property, two days written notice of Sydney Water's intention to enter onto your property specifying the date and approximate time of our entry onto your property, unless you agree to a shorter notice period.

We will not give you written notice in cases where:

- entry is required urgently
- the purpose is to read, fit, exchange or maintain a meter
- giving notice would defeat the purposes of entry
- we intend to conduct a water restriction investigation on your property
- we need to investigate a health or safety issue
- we conduct a general property inspection such as verifying connection installation, meter, plumbing or a backflow device inspection.

## 9.4 Impact on customer's property

If we enter your property for the reasons outlined in clause 9.1 we will ensure that we:

- cause as little disruption or inconvenience as possible
- remove all rubbish and equipment we have brought on to the property
- unless otherwise agreed, leave the property, as near as possible, in the condition, that it was found on entry.

You may be entitled to compensation from us under the Act for damage incurred by our entry to your property.

# 10 Water meter reading, installation, testing and maintenance

## 10.1 Installing and maintaining a water meter

Unless Sydney Water otherwise agrees, your property must have a meter to measure the quantity of water that we supply you. Details are provided in our metering requirements published in our policies and guidelines that are available on our website, as amended from time to time.

If you install a meter in an inaccessible location, or make a meter inaccessible to us, we may charge you a fee for the provision of a remote reading device.

An approved backflow prevention containment device appropriate to the property's hazard rating **must be fitted**. Residential properties with low hazards serviced by either a 20 mm or 25 mm water meter are exempt from this requirement **because these meters already contain a backflow device**. Properties with larger meters must comply with our **requirements published in our policies on our website, as amended from time to time**.

If you have a Sydney Water data logger on your property as part of a metering system, you are responsible for maintaining and paying for the continuous electricity supply to it.

You are responsible for installing the pipework either side of the meter. You are also responsible for maintaining the pipework either side of the meter, unless we maintain it under clause 8.1. For further details, refer to our requirements published in our policies on our website, as amended from time to time.

The installed meter remains our property and we will maintain it. **In multi-level buildings the individual unit meter becomes our property once transferred to us, and from such time we will maintain it**. We may charge you for the cost of repair or replacement of the meter and its assembly if it is wilfully or negligently damaged by you.

We may charge you an unmetered service charge, if there is no meter measuring the supply of water to your property.

We may require that you fit a meter to your fire service. This **requirement will be noted in your connection approval**.

## 10.2 Measuring water supplied

You will be charged for the quantity of water measured by the water meter, unless the meter is faulty and we are required to adjust what we charge you under clause 10.3.

If a meter is stopped, **inaccessible**, or damaged, an estimated usage will be calculated on a basis that is representative of your usage pattern.

Where no satisfactory basis exists to adjust a usage charge, we will negotiate with you a mutually agreeable adjustment of charges based on an estimated reading.

When the price for water or wastewater usage is varied on a date that falls within your meter reading period, we will apply the new price on a pro rata basis.

We will endeavour to provide an actual meter reading once every 12 months, inclusive of meter readings taken by you on our behalf.

**You must not remove a meter from your property without our consent.**

Where your meter is part of an automated meter reading system in a multi-level building we may share your meter reading information with the Owners Corporation or building manager.

### 10.3 Meter testing

If you consider that the meter is not accurately recording water passing through it, you may request that we test it. We will advise you of the meter reading results and make available a written report on your request.

If the test shows that the meter is over recording, by more than three per cent of the actual quantity of water passing through it, we will:

- repair or replace the meter; and
- refund any charge paid by you for the test; and
- adjust your bill by calculating the measurement error on a basis that is representative of your consumption pattern.

### 10.4 Access to the water meter

We may enter your property without notice for the purposes of reading, testing, inspecting, maintaining and replacing the meter.

You must ensure that the meter is accessible for meter reading and meter maintenance purposes. The meter and the visible pipe connected should be clear of concrete, plants, trees bushes and other obstructions.

If you have not provided reasonable and safe access to your meter, we may bill you on an estimate of your usage and may also recover from you the cost of the attempted meter reading.

If you have not provided reasonable and safe access to your meter for reading or maintenance on two or more occasions, we may:

- ask you to relocate the meter at your cost; or
- ask you to read the meter yourself and provide us with the reading; or
- seek access at a time suitable to you, which may incur an additional fee; or
- ask you to install a remote reading device, which may incur an additional fee
- take action under clause 6.4 and disconnect or restrict your supply until you replace your pipes or remove the obstruction or concrete around the meter
- make other arrangements with you.

If you intend to relocate your meter, you should engage a licensed plumber at your cost. Your plumber should check our requirements **published in our policies on our website, as amended from time to time**, before relocating the meter.

## **10.5 Meter replacement**

We will replace the meter at no cost to you if the meter:

- is found to be defective
- if it can no longer be reasonably maintained
- is replaced as part of a meter replacement program.

We will attempt to notify you at the time of replacement and advise you that a new meter has been installed. A mutually acceptable time will be negotiated with non-residential customers for the replacement of meters.

## **11 Who can I speak to if I have any questions or want to make enquiries?**

### **11.1 Telephone enquiries**

If you have a phone enquiry, relating to a **bill**, payment options, concession entitlements or other information about our services, you may contact us on 13 20 92 between 8.30 am and 5.30 pm, Monday to Friday, excluding public holidays.

Our contact phone number is provided on your **bill**, in the phone directory and on our website.

If your enquiry cannot be answered immediately, we will provide a response to your enquiry within five working days of receiving it.

### **11.2 Internet enquiries**

You can find information on a range of topics on our website site at [sydneywater.com.au](http://sydneywater.com.au). You can **also** ask questions and be provided with a response.

### **11.3 Written enquiries**

You can also email or write to us.

Email enquiries should be sent to [on.tap@sydneywater.com.au](mailto:on.tap@sydneywater.com.au) and written enquiries sent to: Sydney Water PO Box 399 Parramatta 2124.

We will reply to your written enquiry within five working days of receiving it by mail, where your matter cannot be responded to sooner by phone contact.

#### 11.4 Leaks and faults assistance

In the event of a leak or break to our water main, a wastewater overflow, an unplanned interruption to supply, or a water quality or water pressure problem, you may contact our 24-hour leaks and faults phone service.

Our leaks and faults phone number is listed on your bill, in the telephone directory and on our website.

#### 11.5 Interpreter and TTY Service

We provide an interpreter service and a TTY service for the hearing impaired at our cost.

## 12 If I am unhappy with the service provided by Sydney Water what can I do?

### 12.1 Customer complaints

If you have a complaint about our service or our compliance with this contract, the Act or Operating Licence, you should first contact us, either by telephone or by writing to us.

We will address your complaint promptly by providing:

- a telephone response within two working days where you have made contact with us and the matter cannot be dealt with immediately; or
- a written or email response within five working days where you have made a written or email complaint and the matter cannot be responded to sooner by phone contact.

The response will provide you with our intended course of action and/or identify when the action will be taken. We will also provide the name of a contact person for follow up enquiries.

### 12.2 Complaints review

If you are not satisfied with the solution offered or action taken by us, you may have the complaint reviewed by a Sydney Water manager.

The manager will:

- clarify your complaint and the outcome sought;
- ensure that the matter has been properly investigated;
- advise you of the estimated timeframe for our proposed action;

- inform you of the outcome of the manager's review;
- outline the relevant facts and regulatory requirements where appropriate;
- indicate what we will do to address the issue; and
- notify you of your rights to external review, if you are still not satisfied with our decision.

### 12.3 Resolution of complaints

A complaint will be considered resolved if we provide you with a response:

- that resolves the dispute to your satisfaction or indicates how the dispute will be resolved to your satisfaction; or
- that provides an explanation of the relevant policy and/or regulatory requirements and why no further action is proposed in relation to the dispute; or
- that provides a date when the issue will be resolved if the complaint relates to future planned operational or capital work; or
- where 28 working days have passed since we provided you with a response and you have not sought a further review by us or lodged a claim in an external dispute resolution forum.

We will extend the 28 working days by a reasonable period if:

- within those 28 days you have requested an extension or
- after the 28 days you demonstrate that, because of special circumstances, you were unable to seek an extension within the 28 days.

Where a further communication from you or your representative is received, this shall be regarded as a new enquiry or complaint.

### 12.4 External dispute resolution

You have the right to seek external resolution of a dispute that has not been resolved by us to your satisfaction.

#### 12.4.1 The Energy and Water Ombudsman, New South Wales (EWON)

You have the right to refer a complaint or dispute arising under this contract to EWON. EWON is an independent dispute resolution body that can investigate and resolve disputes you have with us under this contract. EWON will work with Sydney Water and the customer to find a fair and reasonable outcome.

Disputes that may be referred to EWON include disputes about: supply of service, your bill, credit or payment services, restriction or disconnection. Full details are available from EWON.

You should attempt to resolve the issue with Sydney Water prior to referring the matter to EWON.

EWON's services are available to you without cost.

#### 12.4.2 NSW Civil and Administrative Tribunal (NCAT)

The NCAT may hear and determine consumer claims relating to services supplied by us under this contract.

#### 12.4.3 Other legal avenues

You may also have recourse to the courts.

## 13 Consultation, information and privacy

### 13.1 Involving customers in service planning

To enable community involvement on issues relevant to our programs, services and decision-making processes, we have a Customer Council.

Further information on the role and functions of the Customer Council may be obtained on our website or by contacting us.

### 13.2 Providing information

We will respond in a timely and open manner to requests for information consistent with normal commercial practices and relevant legislation, including the *Government Information (Public Access) Act 2009*.

### 13.3 Privacy

We will treat your personal information according to the provisions of the *NSW Privacy and Personal Information Protection Act 1998* and the *NSW Health Records & Information Privacy Act 2002*.

Details on how we handle your personal information is provided in our 'privacy' policy, which is available on our website, as amended from time to time.

Privacy enquiries and complaints may be directed to our Privacy Coordinator, or to the NSW Privacy Commissioner.

## 14 When does my *Customer Contract with Sydney Water* terminate?

### 14.1 Termination of this contract

This contract, or relevant clauses of this contract, will terminate between you and us if you cease to be covered by all or part of this contract as described in clause 2.2.

The termination of this contract does not affect any rights or obligations of you or us that accrue prior to termination.

If this contract, or part of the contract, terminates because you have requested that some or all of the services that we provide to your premises be transferred to a supplier licensed under the *Water Industry Competition Act 2006*, we will comply with the Transfer Code of Conduct established under that Act to affect the transfer.

### 14.2 Variation of this contract

We may vary this contract as permitted by the Act:

- a notice identifying a variation to this contract (other than for variations of charges and fees) will be published in a daily newspaper circulating in the area of operation at least six months before the variation becomes effective, or a shorter period of notice approved by the Minister.
- a copy of the notice will also be given to each customer.

This requirement to give notice of variations to the terms of the contract does not apply to variations to fees and charges made in accordance with a determination by IPART.

Variations to charges and fees will be published in accordance with clause 4.10.

Information on all variations to this contract will be made available on our website or provided to you on request.



## 15 Definitions and interpretations

### 15.1 Definitions

<b>Act</b>	<i>Sydney Water Act 1994</i> and any regulations in force under it.
<b>Area of operation</b>	The areas of operations specified in section 10(1) of the Act, and described in Schedule 1 of the <i>Operating Licence</i> .
<b>Australian Consumer Law</b>	The Australian Consumer Law, Schedule 2 to the <i>Competition and Consumer Act 2010</i> (Commonwealth).
<b>Backflow prevention containment device</b>	A device to prevent the reverse flow of water from potentially polluted source, into the drinking water supply system.
<b>Charging period</b>	Any period for which your <b>bill</b> was calculated.
<b>Complaint</b>	An expression of dissatisfaction made to Sydney Water or its contractors related to its products or the complaint handling process itself, where a response or resolution is explicitly or implicitly expected.
<b>Customer Council</b>	A customer council established by us under section 15 of the Act and clause 4.5 of the <i>Operating Licence</i> .
<b>Data Logger</b>	This is a device that electronically measures water use. An owner may retrofit this device to the meter when they want up-to-date information on their water use.
<b>Declared stormwater area</b>	An area declared to be a stormwater drainage area as set out in Schedule 1 of the <i>Sydney Water (Stormwater Drainage Areas) Order 2011</i> .
<b>Disconnection</b>	The stopping (either temporarily or permanently) of our supply of services to your property.
<b>Drinking water</b>	Water that is intended for human use and consumption and free of harmful chemicals and disease-causing organisms.
<b>Drought</b>	A prolonged period of low rainfall resulting in actual or potential water shortage.
<b>Enquiry</b>	A written or verbal approach by a customer which can be satisfied by providing written or verbal information, advice, assistance, clarification, explanation or referral about a matter.

<b>Financial hardship</b>	A situation where a customer <b>is willing but unable</b> to pay all or some of the <b>bill</b> by the due date.
<b>Fire service</b>	A water service constructed to meet fire protection requirements under the building or fire codes and standards.
<b>Maintenance</b>	Includes repairs and replacement, and where relevant testing and Inspection.
<b>Meter</b>	The device used to measure water use. This includes any remote reading equipment and associated wiring, power, <b>data logging</b> and servicing equipment.
<b>Non-residential customer</b>	A customer who is not a residential customer. Customer is defined in 2.2.
<b>Operating Licence</b>	The licence granted to <b>Sydney Water</b> under section 12 of the Act.
<b>Owners' corporation</b>	The collective group of owners of a strata plan.
<b>Payment assistance arrangement</b>	Means any of the types of assistance described in clause 5.
<b>Personal information</b>	Any information held by us that relates to the supply of services by us, where your individual identity is apparent or can be reasonably ascertained from the information.
<b>Planned interruption</b>	An interruption initiated by us to allow maintenance to be undertaken.
<b>Point of connection</b>	Where the private service from a property connects to our water, wastewater or stormwater services.
<b>Pressure wastewater system</b>	A system where individual pumps are located in collection tanks and installed on <b>private</b> property. The wastewater is then pumped to the main wastewater network.
<b>Private joint service</b>	A private joint water or wastewater service exists when a private pipe serves more than one property, but there is a single connection to our main.
<b>Property</b>	Any real property that is connected to, or for which a connection is available to our water supply system or our wastewater system or is within a declared stormwater drainage area. This also includes strata titled properties.

<b>Recycled water area</b>	A community or communities supplied with recycled water through a pipe network separate from the drinking water system.
<b>Residential customer</b>	A customer who owns real property that is used as a principal place of residence.
<b>Restriction</b>	A direct intervention in the supply system by Sydney Water in order to reduce flow to a customer's property.
<b>Rouse Hill stormwater catchment area</b>	The map provided in IPART's current determination for Sydney Water's prices.
<b>Service charge</b>	A charge for being connected to the water and/or wastewater and/or stormwater drainage system.
<b>Sewer mining</b>	Sewer mining is the process of tapping into a wastewater pipe (either before or after the wastewater treatment plant) and extracting wastewater that is then treated and used as recycled water.
<b>Stormwater drainage services</b>	The stormwater drainage channels and land for drainage, pipes, detention structures, and stormwater quality improvement devices and other equipment that we provide, manage, operate and maintain under the Act to provide stormwater services.
<b>Third party access</b>	Where a third party uses the services provided by monopoly water industry infrastructure (generally pipes, pumps and reservoirs) to transport water or wastewater between their customers and their treatment facilities (or another point at which water is inserted or wastewater extracted).
<b>Trade wastewater</b>	Any liquid, and any substances contained in it, which may be produced at the premises in a non-residential activity, and any vehicle transporting wastewater, including septic effluent and wastewater from ships and boats. It includes run off from contaminated open areas. Trade wastewater does not include domestic wastewater from premises connected to Sydney Water's wastewater system.  The term trade waste and trade wastewater as used in this document are inter-changeable.

<b>Unplanned interruption</b>	An interruption that is caused by a fault in our water system or a fault that is our maintenance responsibility, and no notice has been given to you.
<b>Wastewater</b>	Also known as sewage, wastewater includes the water you flush down your toilet, water that drains from your bathtub, sink, washing machine and many other sources.
<b>Wastewater overflow</b>	A discharge of untreated or partially treated wastewater from our wastewater system. These overflows may occur in wet or dry weather.
<b>Wastewater service</b>	The services we are permitted to provide by the <i>Operating Licence</i> and any applicable law in respect to: <ul style="list-style-type: none"> <li>• providing wastewater services and</li> <li>• disposing of wastewater.</li> </ul>
<b>Wastewater system</b>	The wastewater pipes and treatment plants and other equipment that we provide, manage, operate and maintain under the Act to provide wastewater services and disposal of wastewater.
<b>Wastewater usage discharge factor</b>	A wastewater usage discharge factor is a measure of the volume of wastewater discharged to the wastewater system expressed as a percentage of water delivered to the property via all Sydney Water drinking water meters.
<b>Water service</b>	The services we are permitted to provide by the <i>Operating Licence</i> and any applicable law in respect to storing and supplying water.
<b>Water system</b>	The water mains, pipes, treatment plants and other equipment that we must provide, manage, operate and maintain under the Act to supply and store water.
<b>We, our or us</b>	Sydney Water Corporation, established under the Act, including its officers, employees, agents and contractors.
<b>You or your</b>	Our customer.

## 15.2 Interpretation

A person includes an individual, a body corporate, an unincorporated body or other entity. The law includes legislation, regulations, licences, orders, mandatory codes, permits and directions.

A working day is a day other than a Saturday, Sunday or public holiday in New South Wales. The singular includes the plural and vice versa.

If there is any inconsistency between this contract and any law, the law will prevail to the extent of the inconsistency.

The reference to document, instrument or law includes any amendments, revisions, renewals or reprints from time to time.

Where a word is defined, any other grammatical form of that word has a corresponding meaning.