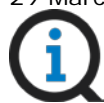


# Proposed revisions to WIC Act reporting manuals



29 March 2016



## WHAT

Licensees must ensure compliance with all licence conditions and other applicable obligations under the *Water Industry Competition Act 2006* (WIC Act).

We have produced reporting manuals for network operators and retail suppliers licensed under the WIC Act to assist licensees meet their obligations.

This Fact Sheet summarises the proposed revisions to the Network Operator's Reporting Manual and Retail Supplier's Reporting Manual (**reporting manuals**).

We are also updating the "Incident notification by network operators and retail suppliers". The updates are limited to contact details only. No other changes are proposed.



## WHY

We have recently made significant changes to standard licence conditions and reporting requirements to improve regulation of environmental controls and mitigation measures, financial capacity and insurance.

We acknowledge that reporting on licence obligations imposes some burden on licensees. We have sought to reduce this burden by explaining the reporting requirements within the reporting manuals in a certain and transparent way.



## WHO

The changes are relevant to private sector water network operators and retail suppliers licensed under the WIC Act.



## HOW

We are seeking stakeholder comment on our proposed changes and on other areas for improvement in the reporting manuals.



## WHEN

Please submit your feedback by 29 April 2016.



## WHAT NEXT

Please submit your feedback to [compliance@ipart.nsw.gov.au](mailto:compliance@ipart.nsw.gov.au), addressed to Director, Water Licensing & Compliance.

The **Network Operator's Reporting Manual** can be downloaded from our website, [http://www.ipart.nsw.gov.au/Home/Industries/Water/Private\\_Sector\\_Licensing\\_WICA/Licence\\_Compliance\\_Reporting/Draft\\_Reporting\\_Manual\\_-\\_Network\\_Operators\\_Reporting\\_Manual\\_under\\_the\\_Water\\_Industry\\_Competition\\_Act\\_2006\\_NSW\\_-\\_March\\_2016](http://www.ipart.nsw.gov.au/Home/Industries/Water/Private_Sector_Licensing_WICA/Licence_Compliance_Reporting/Draft_Reporting_Manual_-_Network_Operators_Reporting_Manual_under_the_Water_Industry_Competition_Act_2006_NSW_-_March_2016)

The **Retail Supplier's Reporting Manual** can be downloaded from our website, [http://www.ipart.nsw.gov.au/Home/Industries/Water/Private\\_Sector\\_Licensing\\_WICA/Licence\\_Compliance\\_Reporting/Draft\\_Reporting\\_Manual\\_-\\_Retail\\_Suppliers\\_Reporting\\_Manual\\_under\\_the\\_Water\\_Industry\\_Competition\\_Act\\_2016\\_NSW\\_-\\_March\\_2016](http://www.ipart.nsw.gov.au/Home/Industries/Water/Private_Sector_Licensing_WICA/Licence_Compliance_Reporting/Draft_Reporting_Manual_-_Retail_Suppliers_Reporting_Manual_under_the_Water_Industry_Competition_Act_2016_NSW_-_March_2016)

The **incident notification guide** can be downloaded from our website, [http://www.ipart.nsw.gov.au/Home/Industries/Water/Private\\_Sector\\_Licensing\\_WICA/Licence\\_Compliance\\_Reporting/Incident\\_Notification\\_-\\_Incident\\_Notification\\_by\\_Network\\_Operators\\_and\\_Retail\\_Suppliers\\_-\\_March\\_2016](http://www.ipart.nsw.gov.au/Home/Industries/Water/Private_Sector_Licensing_WICA/Licence_Compliance_Reporting/Incident_Notification_-_Incident_Notification_by_Network_Operators_and_Retail_Suppliers_-_March_2016)

Following feedback from stakeholders, we will finalise the Reporting Manuals. We intend to finalise the Reporting Manuals by 1 June 2016.

The reporting manuals will take effect from 1 July 2016, subject to the feedback received. Licensees will be required to report in accordance with the updated reporting manuals from this date.

## 1 Introduction

Licensees must ensure compliance with all licence conditions and other applicable obligations under the *Water Industry Competition Act 2006* (WIC Act), the *Water Industry Competition (General) Regulation 2008* (Regulation) and any Codes of Conduct.<sup>1</sup>

The Independent Pricing and Regulatory Tribunal (IPART) is responsible for administering the licences and provides advice to the Minister for Lands and Water. To assist the licensees in reporting against licence conditions and obligations under the WIC Act, we have produced reporting manuals for network operators and retail suppliers licensed under the WIC Act that:

- ▼ consolidate licence obligations for each licence type (in summary form)
- ▼ detail reporting requirements, including the format and the reporting timetable, and
- ▼ detail the range of performance indicators.

The current Network Operator's Reporting Manual and Retail Supplier's Reporting Manual (reporting manuals) were released in 2015 and 2010 respectively.

We have recently made significant changes to standard licence conditions and reporting requirements. The changes improve regulation of environmental controls and mitigation measures, ongoing financial capacity and maintaining insurance.

We propose to include guidance in the reporting manuals to inform licensees of the new requirements.

## 2 Proposed changes

### Network Operator's Reporting Manual

The most significant proposed changes to the Network Operator's Reporting Manual relate to the inclusion of the need to report on:

- ▼ environmental assessments, controls and mitigation measures, and
- ▼ key financial indicators.

#### Environmental assessments, controls and mitigation measures

This requirement is only applicable to licensees issued with the relevant special licence conditions in Schedule A of their licences.

Licensees are required to implement environmental mitigation measures to ensure the activities that the licence authorises are carried out in a manner that do not present a significant risk of harm to the environment.

<sup>1</sup> For example, the Water Industry *Code of Conduct*, the *Marketing Code of Conduct* and the *Transfer Code of Conduct*.

Environmental Management Plans are specific plans prepared to ensure that relevant environmental mitigation measures are implemented during a project's construction or operation. Where relevant, licensees will have special conditions in Schedule A of their licence requiring them to:

- ▼ not commence, or authorise the commencement of, construction of any water industry infrastructure until IPART approves a Construction Environmental Management Plan (CEMP), and
- ▼ not commence commercial operation of any water industry infrastructure until IPART approves a Construction Summary Report (demonstrating effective implementation of the CEMP), and an Operational Environmental Management Plan (OEMP).

We note that the Minister's approval is required to bring new water industry infrastructure into commercial operation.

IPART's approval is required prior to licensees varying the environmental assessments, environmental controls and mitigation measures submitted as part of its licence application, or within the Environmental Management Plans submitted in accordance with its licence. Licensees must notify IPART in writing 3 months before it proposes to vary its environmental mitigation measures.

The changes to the need to report on environmental controls are described in Section 2.6.3 of the draft Network Operator's Reporting Manual.

### Key Financial Indicators

IPART currently assesses ongoing technical and organisational capacity through our compliance audit regime. To strengthen ongoing assessment of financial capacity we propose to require licensees to self-report on key financial indicators for the most recent financial year ending 30 June. Licensees will be required to provide this information in their annual compliance report which is submitted to IPART by 31 August each year.

The required indicators are:

- ▼ **Operating surplus ratio:** by what percentage does the major controllable income source vary from day to day expenses; calculated by operating result (or net result) / total operating revenue (all excluding capital items).
- ▼ **Net financial liabilities ratio:** how significant is the net amount owned compared with income; calculated by total liabilities less total assets / total operating revenue (excluding capital items).
- ▼ **Interest cover ratio:** amount of income used in paying loans (supplements ratios above when no new infrastructure spend is required).

The changes to the need to report on key financial indicators are described in Section 2.3 of the draft Network Operator's Reporting Manual.

### Retail Supplier's Reporting Manual

The most significant proposed changes to the Retail Supplier's Reporting Manual relate to the need to report on:

- ▼ key financial indicators, and
- ▼ insurance coverage.

Other minor updates have been made to improve readability and align formatting with the Network Operator's Reporting Manual.

### Key financial indicators

The need for licensees to report on key financial indicators is the same for both network operators and retail suppliers. The information is collected to strengthen our assessment of the ongoing financial capacity of licensees.

Licensees will be required to provide key financial indicators in their annual compliance report which is submitted to IPART by 31 August each year.

The required indicators are:

- ▼ **Operating surplus ratio:** by what percentage does the major controllable income source vary from day to day expenses; calculated by operating result (or net result) / total operating revenue (all excluding capital items).
- ▼ **Net financial liabilities ratio:** how significant is the net amount owned compared with income; calculated by total liabilities less total assets / total operating revenue (excluding capital items).
- ▼ **Interest cover ratio:** amount of income used in paying loans (supplements the ratios above when no new infrastructure spend is required).

The changes to the need to report on key financial indicators are described in Section 2.3 of the draft Retail Supplier's Reporting Manual.

### Insurance arrangements

The changes to reporting on insurance arrangements are proposed to align with those already required under the existing Network Operator's Reporting Manual.

- ▼ The Insurance Expert's Report template –we previously provided this template to licensees when we formally notified them that their licence had been granted by the Minister. For clarity, we included the template in the previous update to the Network Operator's Reporting Manual. We propose to include this template in the Retail Supplier's Reporting Manual.

Licensees must provide an Insurance Expert's report in this form certifying that in the insurance expert's opinion the type and level of insurance obtained by the licensee is appropriate for the size and nature of the activities. The Insurance Expert's Report is usually required prior to commencement of commercial operation and can be requested by IPART at other times (see section 2.6.1 of the draft Retail Supplier's Reporting Manual).

- ▼ The notification of change in insurance coverage – under the changes licensees must notify IPART if they are proposing to change or have changed their insurance coverage. Our requirements were described in the previous update to the Network Operator's Reporting Manual. We propose to include this template in the Retail Supplier's Reporting Manual (see section 2.6.2 of the draft Retail Supplier's Reporting Manual).

## Incident notification guideline

In undertaking a review of the Network Operator's Reporting Manual we identified the need to also update the document "Incident notification by network operators and retail suppliers" (**incident notification guide**). The updates to the incident notification guide are limited to titles and phone numbers of persons that licensees should contact in the event of an incident only. No other changes are proposed.

The changes will require licensees to review and potentially update their incident response protocols.

### 3 When would these changes affect the licensees?

We intend to finalise the revised reporting manuals by 1 June 2016. The revised Network Operator's Reporting Manual and Retail Supplier's Reporting Manual would be effective from 1 July 2016, subject to any comments received.

### 4 Your feedback

We are accepting feedback on the proposed changes in the reporting manuals, incident notification guide and any other recommended changes.

Please submit your feedback to [compliance@ipart.nsw.gov.au](mailto:compliance@ipart.nsw.gov.au) by **29 April 2016**, addressed to **Director, Water Licensing & Compliance**.

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