

Sydney Water Operating Licence Review – Contextual Information

14 December 2023

1 Contextual Information

This section provides contextual information for the Review, specifically on the following matters:

1. Who is Sydney Water?
2. Why does Sydney Water need an operating licence?
3. Why are we reviewing the operating licence?
4. Who will the review affect?

1.1 Who is Sydney Water

Sydney Water is a State-Owned Corporation, wholly owned by the NSW Government and governed by an independent Board of Directors. It operates under the *Sydney Water Act 1994* (the Act) and the *State Owned Corporations Act 1989*.

Sydney Water provides water and wastewater services to over 5 million people in the Sydney, Illawarra and Blue Mountains regions. It also provides recycled water and stormwater drainage services in certain areas.

1.2 Why does Sydney Water need an operating licence?

The supply of water is an essential service that is regulated in New South Wales. Water supply businesses are commonly government-owned, public utilities and are usually monopoly suppliers within geographic regions. Several large utilities in NSW, including Sydney Water, were corporatised during the early 1990s as part of wider microeconomic reform of the NSW public sector. The operating licence was originally established in 1995 to ensure Sydney Water, as a new corporation, would not exploit its natural monopoly position.




The operating licence enables and requires Sydney Water to provide, construct, operate, manage and maintain systems and services, in a defined area of operations in the Greater Sydney region, for:

- supplying water
- providing sewerage services
- disposing of wastewater

- providing stormwater drainage systems.

The operating licence is an enforceable instrument and is subject to a compliance monitoring regime with penalties for contravention. The operating licence has already been subject to a number of public reviews, conducted by IPART. We last reviewed the licence in 2019. The current operating licence term is from 30 November 2023 to 30 June 2024.^a We are responsible for administering the operating licence including the functions of monitoring, auditing and reporting to the Minister on compliance.

Sydney Water's operating licence is supported by a Customer Contract and a Reporting Manual. The Reporting Manual was established so that procedural matters associated with the operating licence could be more easily updated.

		
<p>The terms and conditions to regulate how Sydney Water undertakes its functions in its area of operations are outlined in the operating licence.</p>	<p>The operating licence contains a Customer Contract which sets the terms and conditions for how Sydney Water provides services to its customers.</p>	<p>IPART publishes a Reporting Manual to support the operating licence. The manual includes details and deadlines for Sydney Water's reporting requirements.</p>

1.3 Why are we reviewing the operating licence?

The current operating licence contemplates an end-of-term review prior to expiry.¹ We are conducting this Review to investigate whether the existing operating licence is fulfilling its objectives, and any issues that have arisen during the term of the licence that may impact its effectiveness. As part of the Review, we will recommend amendments to the operating licence to address the issues we identify.

If the Minister accepts our recommendations, the Minister will endorse the new operating licence for approval by the Governor of NSW.

1.4 Who will the review affect?

As this Review may result in amendments to the current operating licence, it may directly affect the operation of Sydney Water. The following stakeholders would also be affected by this Review because they have direct relationships with Sydney Water under the operating licence:

- all customers and consumers of Sydney Water's water, sewerage, stormwater, and recycled water services, particularly where there are amendments to Sydney Water's customer contract

^a The current operating licence was previously set to expire on 29 November 2023 but has been extended until 30 June 2024

- some licensees under the Water Industry Competition Act 2006 (NSW)
- NSW Government agencies that Sydney Water has cooperative relationships with (including the Department of Planning and Environment, Environmental Protection Authority, Fire and Rescue NSW, NSW Health and the Water Administration Ministerial Corporation).

¹ 2019-2024 Sydney Water Operating Licence, cl 1.8.