

Sydney Water Operating Licence Review - summary of submissions to the issues paper

14 December 2023

In this Information Paper, we have summarised the submissions in response to our issues paper that we received from:

- Sydney Water
- the Department of Planning and Environment (DPE) on behalf of the NSW Government
- NSW Health
- the Environmental Protection Authority (EPA)
- Fire and Rescue NSW (FRNSW)
- the Council of the Ageing (COTA)
- the Energy and Water Ombudsman (EWON)
- the Public Interest Advocacy Centre (PIAC)
- the Scotland Island Residents Association
- Northern Beaches Council
- The Tenants' Union of NSW
- 2 individual anonymous submissions.

These submissions informed our draft recommendations for the Sydney Water operating licence and our draft proposals for the reporting manual.

The following symbols indicate the stakeholders' positions:



Support our draft recommendation or have minor amendments



Support our draft recommendation but propose alternative approach OR have a view on an issue where IPART did not make a draft recommendation












Disagree with our draft recommendation











Have not provided a view but did provide further information on an issue.






Table 1 Summary of submissions to the Issues Paper: Sydney Water Operating Licence Review 2023-24




| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
|---------------------------------|---|---|---|----------------------------|---|
| 1. Performance Standards | | | | | |
| 1 | Do you agree with retaining the current water quality standards in the operating licence and clarifying NSW Health's role for specifying additional health-based requirements? | <p> Sydney Water supports retaining the current water quality standards in the operating licence.</p> <p> Sydney Water seeks flexibility to depart from the ADWG/AGWR in extenuating circumstances (such as to prioritise managing an acute public health risk) with agreement with NSW Health.</p> | <p> NSW Health supports retaining the current water standards in the operating licence which require Sydney Water to maintain water quality management systems consistent with the Australian Drinking Water Guidelines (ADWG) and Australian Guidelines for Water Recycling (AGWR), and any requirements specified by NSW Health.</p> <p>NSW Health supports clarifying that its requirements would be about health-based matters.</p> | Nil | <p>We recommend retaining the current water quality standards in the operating licence. That is, requirements for Sydney Water to maintain and implement water quality management systems consistent with the ADWG/AGWR.</p> <p>We recommend minor amendments to clarify that Sydney Water must comply with requirements specified by NSW Health which are:</p> <ul style="list-style-type: none"> - about health-based matters - specified in writing - reasonable. |
| 2 | Do you agree with removing the current requirement in the operating licence for Sydney Water to comply with the <i>NSW Code of Practice for Fluoridation of Public Water Utilities Supplies</i> ? | <p> Sydney Water supports removing the current fluoridation requirements from the operating licence to reduce duplication.</p> | <p> NSW Health does not support removing the current requirement in the operating licence for Sydney Water to comply with the NSW Code of Practice for Fluoridation (Fluoridation Code).</p> <p>NSW Health states that it does not undertake audits for compliance with the Fluoridation Code themselves. We understand that NSW Health is concerned that this will result in a gap in auditing Sydney Water's compliance with the fluoridation legislation.</p> | Nil | <p>We recommend removing the current operating licence conditions for Sydney Water to comply with the Fluoridation Code to reduce duplication with other fluoridation legislation.</p> <p>We will audit Sydney Water's compliance with the Fluoridation Code and other fluoridation requirements when we audit Sydney Water's implementation of its drinking water quality management system.</p> |



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| 3 | Are the current reporting requirements for Sydney Water's water quality management and monitoring adequate? Are they excessive? |  Sydney Water supports retaining most of the current reporting requirements for water quality management and monitoring. However, Sydney Water has proposed removing the current requirements for monthly fluoride reporting because, in Sydney Water's view, this duplicates mandatory reporting under the Fluoridation Code. |  NSW Health supports retaining the current reporting requirements for water quality management and monitoring. NSW Health does not view them as excessive due to the essential nature of the utility. | Nil | <p>We propose to retain most of the current reporting requirements for water quality management and monitoring in Sydney Water's 2019-2023 reporting manual.</p> <p>However, we propose to remove the current reporting requirements for fluoridation monitoring because fluoridation reporting requirements are set out in the Fluoridation Code and in more detail than in our reporting manual. Partially duplicating them in the reporting manual may not provide benefit.</p> |
| 4 | Is there anything further we should consider when reviewing the system performance standards in the current operating licence to determine the minimum service levels necessary to protect customers? |  Sydney Water supports setting the minimum standards in the operating licence which are the maximum limits for service interruptions. This provides assurance to Sydney Water's customers about the performance they can expect from Sydney Water. |  EPA supports retaining and strengthening clause 5.3 in the 2019-2023 Sydney Water Operating Licence relating to dry wastewater overflow standards to incentivise and fund proactive asset maintenance, to encourage Sydney Water to replace pumps and pipes in line with best practice. | Nil | <p>We recommend retaining the current system performance standards for water continuity, water pressure and dry weather wastewater overflows (service interruptions) in the operating licence. We do not recommend changing the service levels.</p> <p>We recommend removing the optimal standard and design threshold in the new operating licence for the water continuity standard. We recommended these standards in the 2019-2024 Sydney Water operating licence to incentivise performance. We now consider that the role of the operating licence is to set minimum standards to protect customers. Performance and expenditure can and should be managed through the pricing mechanisms.</p> <p>We note EPA's comments and will consider them in the next review of Sydney Water's prices.</p> |



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| | | <p>Sydney Water supports retaining the current system performance standards for water continuity, water pressure and dry weather wastewater overflows onto private properties, with minimal changes. However, it seeks the removal of the low pressure cluster clause (5.2.5) as the work required is now complete and considered BAU.</p> | <p>In 2023, the EPA implemented a long-term Pollution Reduction Program requiring Sydney Water to develop and implement a risk-based choke prioritisation framework by July 2024 for implementation over the 2025-2030 IPART price determination period. Sydney Water has estimated this will involve a significant increase in its expenditure on renewing, upgrading and maintaining its sewerage assets to comply with the Program requirements (approximately \$600M over the 5-year price path) to reduce sewer chokes that result in discharges of raw sewage to the environment.</p> | | |
| 5 | <p>Are there other standards that the operating licence should include to hold Sydney Water to account for the levels of service it provides to the community?</p> | <p> Sydney Water does not propose any additional standards.</p> | <p> NSW Health considers that health standards should not be subject to customers' willingness to pay as this could result in health standards dropping and different standards of drinking water applying across areas. NSW Health notes that clean drinking water is an essential service, where loss of service for extended periods poses a health risk.</p> | <p> PIAC is concerned that the issues paper indicates Sydney Water's current customer engagement will inform the minimum service levels specified in the operating licence, including the potential to lower current standards. PIAC's view is that minimum service levels should not be subject to consumer preference.</p> | <p>We do not propose to change the water quality standards in the operating licence.</p> <p>We do not recommend including any other performance standards in the operating licence.</p> |





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| 6 | Do you agree with consolidating current reporting requirements on Sydney Water's reporting against the performance standards for service interruptions (in chapters 4 and 8 of Sydney Water's current reporting manual)? |  Sydney Water does not agree with consolidating existing requirements and seeks to retain all current annual reporting of compliance and performance against service performance standard, as it currently stands. | Nil |  PIAC recommends making performance reporting public, easily accessible and non-aggregated with other Urban Utilities. While Sydney Water's performance data is published by the Bureau of Meteorology, consumers and other stakeholders would normally seek this information from IPART or Sydney Water's website. | We propose to retain the current reporting requirements for Sydney Water to report on its compliance with the system performance standards for each financial year and explain the: <ul style="list-style-type: none"> major factors (both positive and negative) that have influenced Sydney Water's performance, including factors that are both within and beyond Sydney Water's control, reasons for any significant variation (both positive and negative) between Sydney Water's performance in the financial year and performance in the previous five years. In addition, we propose to require Sydney Water to make this report publicly available on its website. |
| 7 | Is there anything further we should consider when deciding whether Sydney Water should maintain an Asset Management System consistent with Australian Standard AS ISO 55001:2014, and to implement it, with no substantial changes? |  Sydney Water supports maintaining operating licence conditions to maintain and implement an Asset Management System consistent with the Australian Standard AS ISO 55001:2014. Sydney Water has requested flexibility in the operating licence to be consistent with another standard approved by IPART. This would allow Sydney Water to transition to the 2024 version of the standard once it becomes available and after Sydney Water has transitioned its systems to be compliant with the new standard. |  NSW Health supports retaining the current operating licence conditions for asset management.  EPA supports retaining and strengthening clause in the 2019-2023 Sydney Water Operating Licence relating to asset management | Nil | We recommend retaining the current operating licence condition requiring Sydney Water to maintain and fully implement an Asset Management System consistent with <i>Australian Standard AS ISO 55001:2014</i> . We recommend the draft operating licence allow flexibility for Sydney Water to nominate an alternative standard and for IPART to approve it in writing. |



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| 8 | Do you agree that reinstating the reporting requirement to provide a 2-yearly State of the Assets Report will support a renewed focus on asset management practices? |  Sydney Water does not support reinstating a requirement for 2-yearly State of Assets Report. Sydney Water considers that the Service Excellence Roadmap which it has developed is preferable to the 2-yearly state of the assets report to provide IPART information on its asset management practices and progress in addressing previously identified asset management non-compliances. Sydney Water will provide yearly updates about its progress in meeting the actions sets out in the Roadmap, unlike the 2-yearly State of the Assets Report. |  NSW Health and DPE support reinstating the 2-yearly state of the assets report to IPART. NSW Health and EPA have raised concern over Sydney Water's asset renewal and maintenance. |  COTA supports including requirements for the State of the Assets Report. It suggests that the requirement to report on the strategies and expected costs of future investment in assets has the potential to provide environmental, technical, and social benefits. | We propose to reinstate the requirement in the reporting manual for Sydney Water to provide IPART a 2-yearly State of the Assets report. Sydney Water can provide the information we seek from the State of the Assets report in another format. |
| 9 | Is there anything further we should consider when deciding whether to remove the requirement to provide a Strategic Asset Management Plan? |  Sydney Water supports removing the current reporting requirement to supply a Strategic Asset Management Plan (SAMP) to IPART. Sydney Water intends to continue to produce the SAMP even without a mandate. |  NSW Health does not object to IPART's proposal to remove the strategic asset management plan requirement if IPART is satisfied the asset management system and 2-yearly report are sufficient. | Nil | We propose to remove the current reporting requirement for Sydney Water to prepare and submit to IPART a Strategic Asset Management Plan. |



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| 2. Water conservation & efficiency and long-term planning | | | | | |
| 10 | <p>Do you agree with transitioning the existing requirements in the operating licence for Sydney Water to maintain a water conservation work program to a 5-year water conservation plan that:</p> <ul style="list-style-type: none"> considers a range of options including water efficiency, leakage, and recycled water, is consistent with the NSW Government Water Efficiency Framework, considers the strategic context provided by the Greater Sydney Water Strategy, and | <p> Sydney Water supports including new requirements in the Sydney Water operating licence for a 5-year water conservation plan that considers the new NSW Water Efficiency Framework, as in the 2022-2027 Hunter Water operating licence.</p> <p>Sydney Water has already developed its 5-year water conservation plan together with the Department of Planning & Environment (DPE).</p> <p>The Hunter Water operating licence requires the 5-year water conservation plan to be <i>consistent</i> with the NSW Government Water Efficiency Framework. Sydney Water seeks greater flexibility in its operating licence for its Water Conservation Plan to <i>consider</i> the NSW Water Efficiency Framework rather than be consistent with it.</p> | <p> DPE supports transitioning the existing requirements in the Sydney Water operating licence for a water conservation work program to a 5-year water conservation plan. DPE seeks a detailed document that reflects on the performance of the water conservation program over the previous 12 months and demonstrates use of this data to revise and adapt the forward five-year rolling program.</p> <p>DPE seeks that Sydney Water should be required to demonstrate its contribution to the water conservation targets set in the Greater Sydney Water Strategy (GSWS) (which are to save 38 GL/year of drinking water by 2030 and 49 GL/year by 2040) and any subsequent Monitoring, Evaluation and Reporting annual reviews. The Water Conservation Plan should be designed to deliver the water conservation targets in the GSWS.</p> | <p> PIAC recommends that water conservation, efficiency and long-term planning includes a requirement to address and plan to respond to the impacts of climate change. Conservation, efficient-use and long-term planning for water resources are integral to Sydney Water's role of protecting and promoting the long-term interests of the community.</p> <p>PIAC recommends that the operating licence should set efficiency and demand targets that can track and encourage stronger water conservation efforts by Sydney Water. These could include targets for average demand per household and targets for system efficiencies that link to the stated goals of the Greater Sydney Water Strategy to save 38 GL/year of drinking water by 2030 and 49 GL/year by 2040</p> | <p>We recommend including a new operating licence condition for Sydney Water to maintain and implement, annually review and update, submit a copy of the updated plan to DPE and IPART, and publish a 5-year water conservation plan that:</p> <ul style="list-style-type: none"> Covers a range of options for water conservation including, but not limited to, water efficiency (including consumer behaviour programs), leakage reduction and Recycled Water. Considers the NSW Water Efficiency Framework (published by the NSW Government in August 2022) and Greater Sydney Water Strategy. Demonstrate how Sydney Water contributes to the water conservation goals set in the NSW Water Efficiency Framework and Greater Sydney Water Strategy Demonstrate how Sydney Water contributes to any subsequent monitoring, evaluation, reporting or annual reviews of the Greater Sydney Water Strategy, Includes details, including timeframes of proposed programs and projects over the life of the water conservation plan, Assesses the proposed programs and projects against the Current Economic Method, Further the objectives of the operating licence (including to consider the impacts of climate change and consider equity within and between generations). Considers any written guidance that the Minister provides to Sydney Water. |

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| | <ul style="list-style-type: none"> includes details for proposed programs and projects against the Current Economic Method (which is currently the economic level of water conservation). | <p>Sydney Water's view is that this will allow it flexibility to consider the Water Efficiency Framework as a guide rather than a prescriptive set of requirements, allowing Sydney Water to make incremental improvements to the Water Conservation Plan, in line with best practice.</p> | <p>DPE notes that meeting the water conservation targets in the GSWS will rely on contributions from both Sydney Water and DPE. DPE proposes that the Water Conservation Plan should include roles and responsibilities for agency delivery of programs in the water conservation plan and may be supported by additional agreements between the DPE and Sydney Water.</p> | | <p>Sydney Water has already developed a 5-year plan together with DPE. Therefore, the operating licence can require Sydney Water to maintain the 5-year plan from the commencement date. The 5-year plan supersedes the water conservation work program required under the current operating licence, which was a more static program.</p> <p>We have not recommended that the operating licence specify water conservation targets. The current economic method based on economic level of water conservation has a built-in cost-benefit analysis. Setting a conservation target that is either higher or lower than the economic level of water conservation -based target would result in a loss of net economic benefit compared to the economic level of water conservation target.</p> |
| 11 | <p>Do you agree that the operating licence should continue to require Sydney Water to assess water conservation measures as economic by the Current Economic Method?</p> |  <p>Sydney Water supports using an economic approach to determine water conservation measures that are economic, using the Current Economic Method (currently the Economic Level of Water Conservation Method).</p> |  <p>DPE supports retaining operating licence requirements for Sydney Water to assess water conservation measures using the Current Economic Method. This assessment should be included in the water conservation plan.</p> <p>DPE recognises that there may be some water conservation activities, such as Research and Development and pilot programs, which may be assessed as inefficient but may still be included in the Water Conservation Plan. There is benefit in a holistic program of actions designed to deliver the Greater Sydney Water Strategy (GSWS) targets over time.</p> | <p>Nil</p> | <p>As above, we recommend including a new operating licence condition requiring Sydney Water to assess proposed water conservation programs and projects in its 5-year water conservation plan against the Current Economic Method.</p> <p>We consider that requiring an economic approach to water conservation continues to be appropriate and is in the public interest. However, we recommend that Sydney Water should not be limited to using only economic approach in making investment decisions for water conservation.</p> |


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| 12 | Should Sydney Water implement all measures assessed as economic or is there a better way to ensure Sydney Water makes good economic decisions that support the goals of the Greater Sydney Water Strategy? | <p> Sydney Water does not support continuing the current operating licence requirement to implement all measures that have been assessed as economic.</p> <p>Sydney Water seeks greater flexibility in the new operating licence so that the Current Economic Method is not the only factor to consider when deciding which water conservation measures should be chosen for implementation. Sydney Water states that in practice, it can be difficult to separate an economic assessment of a water conservation program/measure based on the Current Economic Method, from a broader assessment of the program/measure based on other factors such as scalability, market demand/uptake, and funding.</p> | <p> DPE agrees that Sydney Water should not be required to implement all measures that are assessed as economic. There may be instances where this does not deliver the best overall outcome and that could also lead to economic evaluation of a smaller number of potential programs which is not consistent with the Water Efficiency Framework.</p> <p>Overall, the Water Conservation Report should report on the economic efficiency of programs and demonstrate that they deliver value for money. It should monitor progress against the Current Economic Method as well as progress towards the GSWS targets. Where specific projects/programs are included in the Water Conservation Plan, but are not necessarily economic as per the method, their inclusion should be justified on the basis of alignment with strategic outcomes.</p> | <p> PIAC recommends incorporating the triple bottom line sustainability framework into assessment of Sydney Water's conservation efforts. PIAC is concerned that there is too strong a focus on economic efficiencies compared to genuine water conservation. Water is an ecological and social resource, not just a product for which there is an 'economically efficient level of demand' to be met by Sydney Water.</p> | <p>We recommend that the operating licence should require Sydney Water to consider specified factors, including an economic approach, in choosing water conservation programs and projects in its 5-year water conservation for implementation, as follows:</p> <ul style="list-style-type: none"> • Sydney Water should include details of programs and projects that Sydney Water has considered over the 5-year life of the water conservation plan and explain which ones are selected for implementation, using an economic approach to assess the relative costs and benefits of each water conservation project. This is consistent with the recommended approach in the NSW Water Efficiency Framework which informs utilities about how to use an economic approach to water conservation. Sydney Water should consider the guidance in the NSW Water Efficiency Framework in implementing its economic approach to selecting water conservation programs and projects. • Sydney Water should consider the strategic context of the Greater Sydney Water Strategy and demonstrate how its selected water conservation projects and programs contribute to the water conservation goals in the Greater Sydney Water Strategy for Sydney to save 38 GL/year of drinking water by 2030 and 49 GL/year by 2040, or any changes to these goals as the strategy is reviewed and updated. Sydney Water can demonstrate where it has selected water conservation programs or projects that may not be the most economic choice if it helps meet the strategic context and goals of the Greater Sydney Water Strategy. Examples of this could be for Sydney Water to include projects or programs aimed at behaviour change and public education initiatives about water conservation. • Similarly, Sydney Water should consider the objectives of the operating licence and consider how its selected water conservation projects and programs help to minimise or manage the impacts of climate change on the water supply. |





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| 13(i) | Do you agree with including a new condition in the operating licence to allow Sydney Water flexibility to modify its economic approach with Ministerial approval? | <p> Sydney Water supports providing a mechanism in the operating licence for Sydney Water to seek approval to modify its Current Economic Method.</p> <p>Sydney Water proposes that instead of requiring ministerial approval to make these changes, IPART could provide the approval with notice to DPE.</p> | <p> DPE supports providing a mechanism in the operating licence to allow Sydney to modify its Current Economic Method.</p> <p>DPE suggests that DPE can be the approver for any modifications. DPE will consult with Sydney Water and IPART, as required.</p> | <p> PIAC does not consider it appropriate for the Minister to have discretion to direct Sydney Water to change its assessment of conservation efficiency or approve a changed approach. Assessment of the approach to conservation should be undertaken through a transparent, independent process subject to community and stakeholder input.</p> | <p>We have proposed a new operating licence condition to enable Sydney Water to initiate reviews of the current economic method, with the Minister's approval. The current operating licence does not enable Sydney Water to seek changes to its economic approach and we consider this to be a gap. We consider that the Minister should continue to be responsible for that approval. This is an important policy decision and the Minister is the appropriate decision maker.</p> <p>We do not recommend retaining the current operating licence condition which gives the Minister power to direct Sydney Water to change its assessment of conservation efficiency or general economic approach. Instead, Sydney Water should be required to update the current economic method if requested by the Minister. The Minister has existing powers to issue directions to Sydney Water under the <i>State Owned Corporations Act 1989</i>.</p> |
| 13(ii) | <i>Not a question in the Issues Paper - but this comment is about publishing Sydney Water's calculated Economic Level of Water Conservation</i> | <p> Sydney Water proposes to remove the requirement to update and publish the economic level of water conservation each month. This information can instead be provided as part of the annual Water Conservation Report. This is consistent with changes to Hunter Water's licence after the last end-of-term review in 2022. Sydney Water states that it would support a requirement to review the economic level of water conservation on a quarterly basis for internal decision-making purposes.</p> | Nil | Nil | <p>We recommend removing the current operating licence requirement for Sydney Water to publish the economic level of water conservation on its website. We consider that reporting a single, aggregated economic level of conservation does not serve any specific purpose, and may well be misleading as conditions change, particularly during drought events. Instead, we have proposed to replace this operating licence condition with one to update the economic level of water conservation using the current economic method. This is implied in the current operating licence as Sydney Water must calculate the economic level of water conservation before it can publish it.</p> <p>We recommend retaining the current operating licence requirement for Sydney Water to review the economic level of water conservation at least annually by 30 September every year. Sydney Water is able to review it more frequently if that suits its business needs.</p> |



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| 13(iii) | <i>Not a question in the Issues Paper - but this comment is about annual reviews of the 5-year water conservation plan proposed in the draft operating licence.</i> | <p> Sydney Water supports annual reviews of the 5-year water conservation plan and has suggested that this be completed by 31 December each year.</p> <p>Sydney Water does not oppose providing updated copies of the updated 5-year water conservation plan (post annual review) and the outcomes of the review to IPART and DPE but seeks to provide the requested explanation of these outcomes as part of the annual audit process.</p> | <p> DPE considers that the 5-year water conservation plan should be reviewed annually by 1 December each year.</p> <p>It is DPE's view that it is ideal to receive the updated Water Conservation Plan by 1 December every year to support the broader Monitoring, Evaluation and Reporting (MER) process undertaken annually for the Greater Sydney Water Strategy. These proposed changes to Sydney Water's licence and the proposed timeline are consistent with changes made in Hunter Water's Operating Licence under its Water Conservation Plan.</p> <p>DPE considers that the water conservation plan should be reviewed jointly by an appropriate cross-agency governance forum to ensure consistency with the GSWS and to ensure there is general support for the water conservation plan.</p> | | <p>In the new operating licence condition that we are recommending for the 5-year water conservation plan, we recommend specifying that Sydney Water must review and update the plan annually by 30 November each year. We also recommend specifying that as part of this review, Sydney Water must:</p> <ul style="list-style-type: none"> (i) identify the activities carried out under the plan over the immediately preceding financial year (ii) assess its progress towards meeting the overall objectives of the plan (iii) ensure the plan is meeting its objectives and the requirements for the plan set out in the operating licence. <p>We also recommend in the new operating licence condition, requiring Sydney Water to provide a copy of the updated plan and the outcomes of the review of the plan including reasons for changing the plan, made to DPE and IPART, and publish these on its website. Obtaining the report by 30 November every year will allow the water conservation plan to inform the MER process for reviewing progress of the GSWS implementation plan's actions. Aligning the water conservation plan and MER process in this way will mean that there is support from DPE (and IPART) for Sydney Water's updated water conservation plans and that they align with the targets, priorities and outcomes of the GSWS.</p> |

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| 14 | Should the operating licence or reporting manual impose additional obligations on Sydney Water to report on the 5-year water conservation plan? | <p> Sydney Water supports reporting requirements to publicly report on water conservation every year to promote transparency and accountability to Sydney Water's customers, the community and other stakeholders.</p> <p>However, Sydney Water seeks to minimise duplication between what is required in the 5-year water conservation plan and what is already required in its annual water conservation report under the current (2019-2023) reporting manual. Sydney Water has suggested the option to just provide one report and not retain current reporting requirements in addition to the 5-year water conservation plan.</p> | <p> DPE supports retaining obligations to report on water conservation. However, it considers that a separate Water Conservation Report is not required if the requirements for the reporting manual for water conservation and planning are met through the 5-year water conservation plan.</p> <p>DPE suggests that Sydney Water's reporting requirements should be made consistent with those currently in place for Hunter Water, including, but not limited to, reporting on the number of programs, actual program costs, and forecast and actual water savings. DPE considers that these reporting requirements will not create a significant regulatory burden and that their inclusion is in alignment with previous provisions, provides an increase in transparency, and is consistent with the Audit Office Report on Water Conservation in Greater Sydney.</p> | Nil | We propose to remove current requirements for reporting on water conservation and efficiency in the Reporting Manual as our draft recommendations for the operating licence already requires Sydney Water to publish the 5-year water conservation plan on its website. The draft operating licence specifies the information that Sydney Water must include in the 5-year plan and requires Sydney Water to review and update the plan annually and provide the updated plan to DPE and IPART and publish it on Sydney Water's website. We consider that no further prescription is necessary in the Reporting Manual. |




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| 15 | Do you agree with not including an operating licence condition to require Sydney Water to implement actions under the Greater Sydney Water Strategy Implementation Plan? | <p> Sydney Water would prefer to include operating licence requirements for Sydney Water to use its 'best endeavours' to implement actions under the Greater Sydney Water Strategy Implementation Plan. This would reflect the importance of Sydney Water's role in the GSWS, as well as community and customer expectations.</p> <p>Sydney Water's customer engagement program, 'Our Water, Our Voice' has identified long-term water planning as a key priority for its customers and stakeholders. The monitoring and evaluation framework for the GSWS explicitly envisages that the Implementation Plan will be reviewed and updated over time. Therefore, Sydney Water considers that the operating licence can continue to require implementation of actions under the GSWS without limiting flexibility.</p> | Nil | Nil | <p>We do not recommend including an operating licence condition for Sydney Water to implement actions under the Greater Sydney Water Strategy Implementation Plan.</p> <p>This was also our preliminary view in the Issues Paper, and we consider that it remains appropriate. We consider that hardwiring requirements to implement actions from the GSWS implementation plan into the operating licence may result in these actions not being able to be updated and re-evaluated as easily, in accordance with funding availability and as circumstances change.</p> <p>Instead, we recommend that Sydney Water must engage in water strategy planning for Greater Sydney that is consistent with the priorities of the Greater Sydney Water Strategy. We consider that this achieves a similar objective but is a more flexible approach.</p> |




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| | | Sydney Water seeks a 'best endeavours' clause because the implementation of these actions is not fully in Sydney Water's control - it must collaborate with DPE and WaterNSW to deliver coordinated actions | | | |
| 16 | Do you agree with updating and retaining the operating licence condition requiring Sydney Water to participate cooperatively in any review of the Greater Sydney Water Strategy and retaining the requirement for Sydney Water to comply with a direction from the Minister to implement specific actions? |  Sydney Water supports updating and retaining the operating licence conditions to participate cooperatively in any review of the GSWS. Sydney Water is committed to this role. Sydney Water contributes key inputs into the GSWS such as demand forecasts and investment in water conservation and it ensures any revised plan considers the whole of water cycle management, community and stakeholder engagement, provides clear accountabilities and responsibilities and is aligned with its environmental requirements. | Nil | Nil | <p>We recommend including an operating licence condition for Sydney Water to cooperate with DPE in any review of the Greater Sydney Water Strategy, similar to requirements in the current operating licence for Sydney Water to participate in reviews of the Metropolitan Water Plan. We consider that this requirement supports the successful delivery of the GSWS.</p> <p>We do not recommend retaining the current operating licence condition for the Minister to be able to direct Sydney Water to implement actions under the Metropolitan Water Plan (now the Greater Sydney Water Strategy Implementation Plan). The Minister has exiting powers to issue directions to Sydney Water under the <i>State Owned Corporations Act 1989</i>.</p> |



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| | |  Sydney Water also supports retaining the requirement to comply with a direction from the Minister to implement specific actions under the GSWS. Sydney Water seeks that the operating licence should clarify that the scope of directions from the Minister is limited to metropolitan water planning and GSWS implementation. | | | |
| 17 | Should the operating licence impose requirements on Sydney Water to have and maintain a Long Term Capital and Operational Plan in cooperation with WaterNSW, to support long term planning? |  Sydney Water supports including an operating licence requirement to maintain a Long Term Capital and Operational Plan (LTCOP), in cooperation with WaterNSW, to support long term planning. |  DPE and the EPA support including operating licence requirements for Sydney Water to maintain a LTCOP in cooperation with WaterNSW. The operating licence should also include requirements for Sydney Water to periodically review and update the plan and provide it to the Minister. In subsequent discussions, DPE has advised that DPE would expect the LTCOP to be reviewed at least every 5 years, or sooner if Sydney Water identifies that this is necessary. DPE requests that Sydney Water should be required to provide a draft of the plan to DPE for comment with sufficient opportunity to review prior to it being finalised and provided to the Minister. |  PIAC suggested that Sydney Water should be required to cooperate with other relevant stakeholders and engage in reviews of relevant plans and implement actions as required. The operating licence should consider requiring Sydney Water to consider the long-term interests of consumers and the community in all long-term planning processes. | We recommend including a new operating licence condition which requires Sydney Water to have an LTCOP: <ul style="list-style-type: none"> • considers the strategic context of the GSWS • identifies and assesses water supply augmentation on a catchment to Consumer basis • considers the implications of the preferred water supply augmentation options on Water NSW, • considers a range of long-term investment options that delivers the best value for customers • recommends to the Department the preferred water supply augmentation option(s) that should be taken forward to an investment decision, and • considers any written guidance that the Minister provides to Sydney Water. Our recommended operating licence condition requires Sydney Water to review and update the LTCOP at least once between 1 July 2024 and 30 June 2028 and submit the updated plan to the Minister. |




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| | | <p>Sydney Water seeks clarity about what the scope of 'maintaining' the LTCOP would include, and the degree of cooperation required with WaterNSW. Sydney Water seeks that the operating licence should require Sydney Water and WaterNSW to work <i>cooperatively</i> rather than <i>jointly</i> (as in the current WaterNSW operating licence). Sydney Water proposes to also include 'best endeavours' wording for similar reasoning discussed in Q15.</p> | | | |
| 18 | Should the operating licence require Sydney Water to maintain a Memorandum of Understanding (MoU) with WaterNSW to support the water supply augmentation arrangements? | <p> Sydney Water seeks operating licence conditions that clarify Sydney Water's accountability for supply augmentation planning in Greater Sydney, and WaterNSW's role in providing support. Sydney Water notes the timing of both the Sydney Water and WaterNSW licence reviews and identifies the opportunity to synchronise requirements on both sides.</p> | <p> DPE supports using a MoU to create clear and transparent roles, responsibilities and expectations if it helps deliver the intended outcomes.</p> | Nil | <p>We recommend including new operating licence conditions specifying Sydney Water's responsibilities for water supply augmentation planning for Greater Sydney that includes:</p> <ul style="list-style-type: none"> • assessment of the need for water supply augmentation planning • identification of water supply augmentation options, including capital and non-capital options, • whole-of-system assessment of the water supply augmentation options and prioritisation to support strategic business cases • concept development and feasibility studies for preferred water supply augmentation options to support business cases • costings of preferred water supply augmentation options to support a strategic business case. |


| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | <p>Sydney Water states that since 2021, Sydney Water has been responsible for the supply augmentation planning function in Greater Sydney following a formal Ministerial Direction to transfer the supply augmentation planning function from WaterNSW to Sydney Water on 22 January 2021. Sydney Water and WaterNSW developed a temporary MoU to clarify their roles and responsibilities for supply augmentation.</p> <p>Sydney Water states that the MoU recognises that Sydney Water is solely accountable for supply augmentation planning function, and that WaterNSW is to support Sydney Water in that function through the provision of information, resources and support. The nature of that support, as well as further clarification of planning accountabilities (i.e. renewals, catchment management, etc) is provided for in the MOU.</p> | <p>The Ministerial Direction issued to Sydney Water and WaterNSW on 22 January 2021 transferred the supply augmentation planning function to Sydney Water and created the requirement for a MoU. DPE notes the current intention is for the planning function to continue to be led by Sydney Water, with the asset related inputs to be provided and outcomes to be implemented by Sydney Water and WaterNSW based on their respective responsibilities under their Acts and Operating Licences.</p> <p>Coordinated planning and cooperation between WaterNSW and Sydney Water is necessary to support effective augmentation planning and drought response planning and is also necessary to implement actions in the Greater Sydney Water Strategy.</p> | | <p>We also recommend requiring Sydney Water to use its best endeavours to maintain and comply with an MOU with WaterNSW so the 2 entities can work together cooperatively to deliver the water supply augmentation function for Greater Sydney.</p> <p>We intend to make similar recommendations for the WaterNSW operating licence, which we are also currently reviewing.</p> |




| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | Sydney Water considers that if the operating licence is clear on water supply augmentation responsibilities, there is no need to continue to maintain the current MoU with WaterNSW. | The Operating Licences for both Stated Owned Corporations must give clear direction to both Boards as to the expectations of the NSW Government that Sydney Water and Water NSW will ensure that the operational state and the planned future state of their assets will reasonably meet the supply demands of Greater Sydney. This overrides the ministerial direction currently published and gives effect to planning responsibilities as outlined in the Greater Sydney Water Strategy. | | |
| 19 | Should the operating licence require Sydney Water to consider the long-term interests of customers when preparing production requests for the Sydney Desalination Plant? |  It is Sydney Water's view that an operating licence requirement requiring it to consider the long-term interests of customers when preparing production requests for SDP is not appropriate, as this has sufficiently been considered in the GSWS, Operating Rules and Decision Framework (SWC notes the SDP Operating Rules encompass short and long-term consideration of customer needs). |  DPE does not support further licence obligations for this area. DPE notes that there is a Decision Framework in place (developed between Sydney Water and DPE, in consultation with SDP) to support a clear decision-making process for production requests which aligns to objectives set in the GSWS. The operation of SDP in accordance with the Decision Framework and the requirement in SDP's operating licence to meet annual production requests should adequately protect customer interests. |  PIAC suggested that Sydney Water should be required to cooperate with other relevant stakeholders and engage in reviews of relevant plans and implement actions as required. The operating licence should consider requiring Sydney Water to consider the long-term interests of consumers and the community in all long-term planning processes. | <p>We recommend including a new licence condition that requires Sydney Water to make annual production requests to the SDP consistent with the Decision Framework for SDP Operation (Decision Framework).</p> <p>We do not recommend including operating licence conditions for Sydney Water to consider the long-term interests of customers when preparing production requests for the Sydney Desalination Plant specifically, but we have recommended a general requirement for Sydney Water to consider the operating licence objectives when doing anything authorised or required by the operating licence. One of the operating licence objectives is to consider the long-term interests of customers, consumers and the community.</p> |

| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 20 | Should the operating licence impose requirements on Sydney Water to maintain and implement the Greater Sydney Drought Response Plan and participate in any review of the plan? | <p>Sydney Water considers that an operating licence condition that requires Sydney Water to make production requests consistently with the Decision Framework would be appropriate to ensure that Sydney Water's compliance can be monitored and there is transparency and accountability in this area.</p> <p> Sydney Water supports including operating licence requirements for Sydney Water to maintain and implement the Greater Sydney Drought Response Plan and participate in any review of the plan, jointly with WaterNSW.</p> <p>Sydney Water requests that the operating licence should allow it to use its best endeavours to comply with Greater Sydney Drought Response Plan, as this will require cooperation with WaterNSW, and compliance is not fully in Sydney Water's control.</p> | <p>If in the future there is a view from any of the parties that the Decision Framework is not achieving its intended outcome, either Sydney Water, DPE or SDP can propose modifications that will need to be agreed between DPE and Sydney Water and follow consultation with SDP.</p> <p> In its submission, DPE stated that it supports including an operating licence requirement for Sydney Water to maintain and implement its actions and obligations under the Greater Sydney Drought Response Plan. However, since then, DPE has advised us that it no longer considers that the operating licence should require Sydney Water to implement the Greater Sydney Drought Response Plan, just maintain it.</p> <p>DPE states that it is confident that in the event of a drought, Sydney Water will take action to respond. However, hardwiring requirements in the operating licence may mean that Sydney Water cannot respond to changes quickly and adaptively. DPE made similar comments in its response to the WaterNSW operating licence review.</p> | <p> PIAC suggested that Sydney Water should be required to cooperate with other relevant stakeholders and engage in reviews of relevant plans and implement actions as required. The operating licence should consider requiring Sydney Water to consider the long-term interests of consumers and the community in all long-term planning processes.</p> | <p>We recommend including new operating licence conditions requiring Sydney Water to cooperate with WaterNSW to jointly review the Greater Sydney Drought Response Plan annually and use its best endeavours to agree on updating the Greater Sydney Drought Response Plan annually with WaterNSW. We also recommend that this operating licence condition requires Sydney Water to provide a draft updated plan to DPE for comment and provide the updated plan to the Minister after considering DPE's comments and make it publicly available on Sydney Water's website.</p> <p>We also recommend that the operating licence should require Sydney Water to implement all actions that are assigned to it in the Drought Response Plan by the dates specified in the plan.</p> |




| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 21 | Should the operating licence continue to require a data sharing agreement between Sydney Water and DPE to assist with the review of the Greater Sydney Water Strategy? | <p> Sydney Water supports retaining the requirement for data sharing between Sydney Water and DPE to support the government's urban water strategies and long-term planning.</p> <p>Sydney Water requests that the operating licence should allow it to use its best endeavours to comply with data sharing requirements, as this will require cooperation with DPE, and compliance is not fully in Sydney Water's control.</p> | <p> DPE supports retaining requirements for a data sharing agreement between Sydney Water and DPE in the operating licence, to assist with the review of the Greater Sydney Water Strategy.</p> <p>DPE states that Sydney Water will need to participate in any reviews led by DPE and should engage closely with DPE Water on any Sydney Water led reviews, including providing relevant documents to DPE upon request. The data sharing agreement is necessary to facilitate this.</p> | Nil | <p>We recommend retaining and updating the current operating licence condition about Sydney Water's data sharing agreement with DPE which assists the 2 parties to deliver actions under and review of the Greater Sydney Water Strategy.</p> <p>We recommend requiring Sydney Water in the operating licence condition to use its 'best endeavours' to maintain this agreement and then comply with the MoU. Our draft recommendations for this area are not substantially different to what is in the current 2019-2024 operating licence.</p> |




| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 22 | What are your views on retaining the current operating licence conditions requiring Sydney Water to cooperate in and implement any outcomes from a review of the Priority Sewerage Program? | <p> Sydney Water proposes to remove the licence conditions relating to the Priority Sewerage Program (PSP) to avoid incorrect expectations about Sydney Water's role in delivering services here.</p> <p>Sydney Water's role, under the current operating licence, is to participate in any government reviews of the PSP and implement outcomes from that review.</p> <p>To date, the PSP has not been reviewed. If it were to be reviewed in future, Sydney Water intends to participate in any such reviews and implement the outcomes even without a licence mandate.</p> | <p> DPE and the EPA supports retaining the current operating licence conditions requiring Sydney Water to cooperate with and implement any outcomes from a review of the PSP.</p> <p>The EPA notes that as NSW moves towards higher sewerage treatment levels and water recycling, smaller unsewered areas are not left behind.</p> | <p> Northern Beaches Council strongly supports retaining the current operating licence conditions requiring Sydney Water to cooperate with and implement any outcomes from a review of the PSP. Council states that without this operating licence requirement, there is no commitment from the NSW Government (and Sydney Water) to consider wastewater services for unsewered areas listed under the PSP, including Scotland Island.</p> <p>Council suggests that the NSW Government should undertake a review of the PSP prior to any decision being made to remove any obligations from Sydney Water's Operating Licence. Council does not agree with Sydney Water's statement that there are limited environmental/water quality benefits from servicing the area.</p> | <p>We recommend removing the current operating licence requirements for Sydney Water to participate in any Government reviews of the PSP and implement and comply with any outcomes of any NSW Government review of the PSP.</p> <p>We have proposed removing these requirements because we consider that the operating licence is not the appropriate instrument to empower the Minister to require Sydney Water to provide sewerage services to unsewered areas. There are other avenues for the Minister to do this, including under the SOC Act.</p> |

| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | <p>While the operating licence does not directly create regulatory burden, it does create a social expectation from residents to provide sewerage services to that area at cost to Sydney Water's existent customers. Sydney Water states that currently, there are residents in the PSP areas that are deferring maintenance and upgrades of their on-site wastewater systems in anticipation of a public sewer network becoming available in future. This could create poor environmental outcomes.</p> | | <p>In 2020, Council investigated the commercial feasibility of the supply of water and wastewater services to Scotland Island, which was funded by the NSW Government. The study concluded that the State Government and/or Sydney Water should implement a fully reticulated system for both water and wastewater to Scotland Island to minimise water quality and public health impacts of using onsite wastewater systems.</p> | |
| | | <p>Removing the PSP obligation from the Sydney Water operating licence could allow more cost-efficient delivery and funding mechanisms to be considered for the residents of PSP areas. Sydney Water notes that the Government can direct Sydney Water to provide wastewater services to any remaining PSP areas via a direction under the <i>State Owned Corporations Act 1989</i> (NSW).</p> | | <p> The Scotland Island Residents Association (SIRA) supports maintaining the existing licence obligations. In addition, they seek a time frame for Sydney Water to be required to implement the findings of a feasibility study conducted in 2019 into the supply of water and wastewater services to Scotland Island.</p> | |
| 3. Climate risk readiness | | | | | |



| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 23 | Should the operating licence objectives be amended to explicitly refer to climate change? | <p> Sydney Water supports amending the current operating licence objectives to explicitly refer to climate change.</p> <p>Sydney Water suggests that the licence objectives could be amended to establish clear expectations for Sydney Water to provide or consider 'equity within and between generations' could support ongoing engagement with our customers and the wider community, stakeholders and regulators about future challenges and promote conversations that balance risk, costs and interests in both the short and longer term.</p> | <p> DPE and the Office of Environment and Climate Change (OECC) support including explicit reference to climate change within the operating licence objectives to highlight the need for Sydney Water to incorporate appropriate climate change mitigation and adaptation measures into its operations.</p> <p>The NSW Government submission states that the proposed change to the operating licence objectives would be consistent with the principal objectives in the <i>Sydney Water Act 1994</i> to protect public health and the environment and be a successful business including by having regard to the interest of the community. It also reflects shared commitments Sydney Water and DPE have through joint actions in the GSWS to transition water services in Sydney towards a circular economy model, to support delivery of the NSW Government's net zero emissions targets (Action 3.4).</p> | <p> PIAC seeks clarity on how outcomes for consumers and community would be changed or improved by the addition of explicit reference to climate change.</p> | <p>We recommend updating the operating licence objectives for Sydney Water to:</p> <ul style="list-style-type: none"> • conduct its activities in a manner that considers the impacts of climate change • provide or consider 'equity within and between generations. <p>This will encourage Sydney Water to engage with customers and the wider community, stakeholders and regulators about future challenges and promote conversations that balance risk, costs and interests in both the short and longer term.</p> |



| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 24 | Is there anything further we should consider when reviewing the current requirements for Sydney Water to implement the Greater Sydney Water Strategy and its actions for reducing emissions and to regulate abatement? | <p> Sydney Water supports not including operating conditions for Sydney Water to undertake abatement actions. Sydney Water considers that there are currently sufficient other obligations to require Sydney Water to implement abatement actions and a licence requirement to undertake prescriptive abatement actions may prevent Sydney Water from responding effectively to changes in policy, customer expectations and market drivers.</p> <p>Or alternatively could risk duplicating requirements in development by the EPA.</p> <p>Sydney Water has set its own aspirational target to achieve Net Zero by 2030 for Scope 1 and Scope 2 emissions, and in its supply chain by 2040 that exceed those set in the NSW Net Zero 2050 Plan. Sydney Water tested these aspirational targets with its customers who have expressed support for a minimal regulation approach to avoid inhibiting Sydney Water from reaching the earlier targets.</p> | <p> DPE, OECC and EPA have made no additional suggestions.</p> <p>The NSW Government submission notes that the Statement of Expectations (SoE) issued to Sydney Water in 2022 further conveys that Sydney Water is expected to operate its business in a way consistent with the NSW Government's Net Zero 2050 plan.</p> <p>The NSW Government intends to legislate the State's targets to reach net zero emissions by 2050 and reduce emissions by 50 per cent by 2030 compared to 2005 levels, to increase accountability and encourage wider government action.</p> <p>The NSW Government will also create a Net Zero Commission to monitor and report on progress towards its emissions reduction targets.</p> | Nil | <p>We do not recommend including a condition requiring Sydney Water to undertake climate change abatement actions. Abatement refers to how Sydney Water is reducing the impact of its operations on climate change.</p> <p>We consider that the NSW Government's Statement of Expectations issued to Sydney Water, Sydney Water's objectives under the Act and our recommended objectives for the operating licence, together with other existing obligations provide sufficient incentive for Sydney Water to implement climate abatement actions. Further prescription in the operating licence risks duplicating other legislative requirements that are in progress. Sydney Water is adequately incentivised to achieve net zero targets. It has set itself aspirational Net Zero targets that exceed the targets required by the NSW Government.</p> |




| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 25 | Is there anything further we should consider when reviewing the current requirements for Sydney Water to implement the Greater Sydney Water Strategy and its actions for regulating climate resilience and adaptation? | <p>Sydney Water is currently in its final phase of customer engagement where it is testing customers' willingness to pay to reach Net Zero targets ahead of the NSW Government's plan.</p> <p> Sydney Water supports not including operating conditions for Sydney Water to undertake resilience or adaptation actions.</p> <p>Sydney Water has adopted a climate adaptation position statement which means its Business-as-Usual approach is to plan, design and build for a future climate aligned to current global emission pledges (known as RCP 4.5).</p> <p>It will also develop adaptive pathways for our services if emissions reductions are not realised (known as RCP 8.5). It will apply the appropriate climate projections to all its assumptions rather than assuming historical data/standard criteria.</p> | <p> DPE and OECC have made no additional suggestions.</p> <p>The EPA notes the operating licence should not be a barrier to greater integrated land use planning required to support green infrastructure and build resilience to climate change impacts.</p> | <p> PIAC recommends that IPART should investigate and, if necessary, seek legislative change to provide clarity on Sydney Water's role in the community as a provider of climate resilience and adaptation programs. In particular, we should investigate opportunities for alternative funding contributions to resilience programs such as improving waterways and greening urban areas.</p> <p>PIAC seeks clarity about whether Sydney Water is a public utility that provides community water services (a broad remit) or a business providing water (a narrow remit).</p> | <p>We do not recommend including operating conditions for Sydney Water to undertake resilience or adaptation actions.</p> <p>Resilience relates to Sydney Water's ability to withstand and adapt to changing climate conditions and recover positively from shocks and long-term stresses. Adaptation refers to actions that Sydney Water takes to reduce the impact of changing climate conditions on assets, systems and products.</p> <p>Sydney Water's actions under the Greater Sydney Water Strategy and its objectives under the <i>Sydney Water Act 1994</i> require Sydney Water to undertake resilience and adaptation actions.</p> <p>Our draft recommendation is to not obligate Sydney Water with additional prescriptive resilience or adaptation actions as this may not provide further benefit, and risk duplicating or conflicting with current and emerging obligations.</p> |




| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | Sydney Water has committed to develop a resilience framework in its Long Term Capital and Operational Plan to identify interventions and help to prioritise investments that are required to achieve long term infrastructure resilience objectives. | |  COTA acknowledges the importance of upgrading Sydney Water's infrastructure to withstand challenges of climate change. However, it notes that this will require significant investment which could result in increased charges to consumers. Vulnerable customers should be provided with financial supports that are commensurate with any increase in bills. | |
| 26 | Is there anything further that we should consider when deciding whether Sydney Water should be required to develop and maintain a climate-related risk management program consistent with the NSW Climate Risk Ready Guide? |  Sydney Water supports an operating licence requirement for Sydney Water to develop and maintain a climate-related risk management program consistent with NSW Government-issued guidance for climate risk management. |  DPE supports having a climate change risk management process that is consistent with the NSW Climate Risk Ready Guide. It recommends that the operating licence should require Sydney Water establish a climate risk management process that addresses climate related risks specifically, including identifying priority risks, adaptation and mitigation actions, as part of a broader program to grow Sydney Water's climate change maturity. | Nil | <p>We recommend including new operating licence conditions for Sydney Water to engage in an ongoing climate risk assessment and management process that is consistent with the NSW Government's Climate Risk Ready Guide (published March 2021) and addresses climate-related risks specifically. This includes identifying priority risks, adaptation and mitigation actions. Under this operating licence condition, Sydney Water will be required to consider where appropriate the principles of NSW Government's Climate Change Adaptation Strategy and updated or replacement guidance material on climate risk assessment and management as it is released by the NSW Government and other bodies that Sydney Water identifies as relevant.</p> <p>We recommend requiring that Sydney Water must make reasonable progress towards meeting an advance level of climate risk management maturity, as defined in the NSW Government's Climate Risk Ready Guide, by 30 June 2028.</p> |



| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | <p>Sydney Water states that its enterprise-level climate risks are not all captured in its current management systems, and a climate-related risk management program could address this gap. Further, it would support Sydney Water in demonstrating that it is managing risks associated with climate change in its operations.</p> <p>Sydney Water seeks that the mode of reporting for this requirement focus on demonstrating maturity using the DPE Climate Risk Maturity Health Check Tool.</p> | <p>The climate change risk management process should be consistent with the NSW Climate Risk Ready Guide, aligned with principles in the NSW Climate Change Adaptation Strategy and informed by guidance as it is updated via the Government's AdaptNSW program.</p> <p>The NSW Climate Risk Ready Guide outlines the NSW Government's approach to best practice climate change risk management and is informed by principles set out in the NSW Climate Change Adaptation Strategy (2022).</p> <p>An action under NSW Climate Change Adaptation Strategy, designed to embed climate change adaptation in NSW Government decision making, requires all NSW Government agencies to identify their own climate change risks in alignment with the Climate Risk Ready NSW Guide and climate change projections by the end of 2023.</p> <p>DPE suggests IPART and the community should also have visibility of how Sydney Water's climate change maturity is improving over time.</p> | | <p>Our recommendations support government policy to promote best practice climate change risk management by all NSW Government agencies. A climate risk management program could ensure that all climate-related risks are clearly identified, visible and appropriately addressed. It could also provide a mechanism for IPART to review and audit Sydney Water's management of climate-related risk and drive greater transparency and accountability.</p> |




| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | | <p>The proposed requirement also responds to the September 2021 Audit Office report Managing climate risks to assets and services. The report found that agencies with significant assets and services have not conducted climate risk assessments and that most agencies did not have plans to adapt to climate risks. The Audit Office includes state-owned corporations in its definition of agency.</p> <p>DPE supports IPART auditing Sydney Water's compliance and climate-risk identification (and management).</p> <p>OECC notes that Sydney Water is yet to develop/identify metrics to measure and manage priority climate risks.</p> | | |
| 27 | Do you agree with adding a requirement in the Reporting Manual for Sydney Water to report on its progress to net zero? |  Sydney Water supports requirements to report on net zero progress but requests further clarity on reporting timing and content to avoid duplication with new NSW Treasury requirements. Sydney Water seeks to avoid duplicative auditing from NSW Treasury, the National Greenhouse and Energy Reporting audit process and IPART. |  DPE and OECC support requiring Sydney Water to report on net zero, to aid transparency and accountability, while avoiding duplication in reporting required under other frameworks. | Nil | <p>We propose to include requirements in the reporting manual for Sydney Water to publicly report on its progress towards net zero annually. This will increase transparency to Sydney Water's customers and stakeholders and increase accountability.</p> <p>If Sydney Water were to be required to report on its progress towards achieving net zero under other legislation in future, we can consider removing the proposed new environmental indicator to avoid duplication and regulatory burden.</p> |

| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 28 | Do you consider that there should be any other reporting requirements related to abatement, adaptation, resilience or climate risk? | <p> Sydney Water does not support additional requirements above the NSW Treasury mandatory disclosures. Sydney Water seeks that changes to the operating licence and reporting requirements should not be duplicative or risk conflicting with current and future requirements.</p> <p>From FY24, NSW Treasury will require Sydney Water to publish climate-related financial disclosures every financial year aligned with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.</p> <p>Sydney Water notes that in June 2023, the International Sustainability Standards Board (ISSB) also released its new sustainability standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate related Disclosures.</p> | <p> DPE seek to streamline climate related reporting where possible, by improving consistency in the information gathered and increasing insights captured from the reporting.</p> <p>OECC does not suggest any additions but notes SWC's upcoming requirement to report on climate-related risks in its annual reporting (aligned with the TCFD).</p> | Nil | <p>We are recommending an operating licence condition requiring Sydney Water to publish climate-related disclosures consistent with the IFRS S2 or Australian equivalent from FY2025-26. However, we are recommending that Sydney Water only be required to make climate-related disclosures under the operating licence if it is not required to make climate-related disclosures based on IFRS S2 or Australian equivalent by another law.</p> |




| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | The ISSB standard builds on the TCFD recommendations, foreshadowing more holistic sustainability reporting and disclosure requirements that may be adopted by NSW Treasury in the future. | | | |
| 4. Sydney Water's obligations to its customers | | | | | |
| 29(i) | Regarding the Customer Contract: Are the rebates in the current Customer Contract well targeted and set at the right levels? | <p> Sydney Water proposes to keep the current structure and increase the rebates in line with inflation at the start of the next operating licence period, reflective of the fact that bills increase with inflation.</p> <p>Sydney Water's customer engagement work undertaken in 2023 shows that it already provides rebates to customers for events that customers find most inconvenient.</p> | Nil | <p> EWON supports Sydney Water's proposal to increase rebates in line with inflation at the beginning of the next operating licence period. EWON notes that Sydney Water does not intend to change the rebates for the rest of this operating licence period.</p> <p>However, EWON would welcome a mechanism to review or increase the rebates if inflation increases significantly during the remaining operating licence period (until 1 July 2024).</p> <p> PIAC seeks for better mechanisms for passing on rebates to tenants than relying on landlords to pass these on.</p> | <p>We recommend increasing the rebates specified in the current Customer Contract for water continuity interruptions, low pressure events and dry weather wastewater overflow events in line with inflation. We do not recommend any new rebates as Sydney Water's customer engagement work suggests that customers are satisfied.</p> <p>We do not recommend updating the current 2019-2023 operating licence. By the time any operating licence amendments are tabled in parliament and come into effect, it will nearly be time for the new operating licence to commence on 1 July 2024.</p> <p>We have not proposed additional mechanisms for passing on rebates to tenants at this time as the primary billing relationship is with the landholder and rebates are linked to water service charges paid by landholders. For example, the rebate for recurring water service interruptions is to rebate the equivalent of the water service charge. Changing this to rebating the water usage charged paid by some tenants could lead to high costs as these charges are variable. Rebates are ultimately paid out of Sydney Water's revenue.</p> <p>We consider that it is more beneficial that Sydney Water notify tenants of service interruptions. We can consider if rebates should be provided directly to tenants if legislative changes are made to allow a direct relationship with tenants, as discussed in response to question 31.</p> |





| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 29(ii) | Should any of the provisions of the Customer Contract, other than those already specified in clause 6.3 of the operating licence, be extended to 'consumers' who are not parties to the contract (e.g. tenants or property occupiers that are not landowners)? | <p> Sydney Water considers that the provisions of the Sydney Water Customer Contract that are already extended to tenants under the 2019-2023 operating licence are adequate. It considers that further extending provisions will result in unintended consequences and goes against Consumer Law which is to apply between a supplier and the person who purchased the goods or services,</p> <p>Rebates (clauses 7.2, 7.3 and 7.4 of the current 2019-2023 Customer Contract): Sydney Water does not have a direct billing relationship with tenants and considers that having one is not enabled by the current legislative framework (this is discussed further in response to question 36). As its billing relationship is with its customers who are the landholders, it considers that rebates should be applied to the customer bill which can then be passed on to tenants as appropriate.</p> | Nil | <p> COTA does not support extending anymore provisions of the Customer Contract to tenants to avoid unintended consequences and increased costs to customers.</p> <p> EWON supports continuing the existing provisions of the operating licence to extend protections available to customers under the Customer Contract to 'consumers' including tenants.</p> <p>EWON supports IPART's preliminary proposal to extend further provisions of the Customer Contract including redress and claims for damages under Clause 7 of the current (2019-2023) Customer Contract.</p> | <p>We recommend retaining the current operating licence conditions that extend protections under the Customer Contract to consumers as though they were customers and extending additional protections to consumers.</p> <p>While we acknowledge that Sydney Water may already offer some of these protections, including rebates and forms of redress, to consumers, we consider that requiring Sydney Water to extend additional provisions in the Customer Contract to consumers offers a greater level of assurance that consumers would be able to access these rights and protections.</p> |





| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | <p>Redress (clause 7.6 of the current 2019-2023 Customer Contract): Sydney Water explains that redress is already available to tenants as appropriate. Such as bottled water reimbursement where they have been impacted by water supply outage, claims for damages incurred to their property, and for emergency situations such as if their accommodation became uninhabitable due to fault caused by Sydney Water.</p> <p>Claim for damages (clause 7.7 of the current 2019-2023 Customer Contract). Tenants are already able to claim damages and this part of the Customer Contract does not need to be extended to tenants.</p> | | | |
| 29(iii) | Do you support Sydney Water's proposed changes to the Customer Contract? |  <p>Note: Sydney Water's proposed changes to the Customer Contract are to clarify customer responsibilities, reflect current business practice, enable potential future business changes and to simplify language or improve readability, informed by customer feedback.</p> | Nil |  <p>EWON would support clarity within the customer contract that Sydney Water can perform urgent repairs to a customer's private water infrastructure and the circumstances where this may occur.</p> | In clause 8 of our recommended new Customer Contract, we recommend amendments to clarify the circumstances when Sydney Water will make free repairs to a customer's water or wastewater infrastructure, connected to Sydney Water's water or wastewater infrastructure. Our recommended changes do not substantially change the service Sydney Water already provides and what is set out in the current 2019-2023 Customer Contract. Our suggested changes seek to clarify the terms of the service available for customers. |




| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | | | <p> PIAC made recommendations to IPART about reducing dishonour/declined payments (and late fees) to reduce their negative impact on households experiencing disadvantage.</p> <p>PIAC suggests that IPART should ensure any fees are both necessary and cost-reflective where they are required.</p> | <p>Sydney Water charges late payment fees and dishonour/declined payment charges within the maximum fees specified by IPART. We will consider PIAC's comments about these charges as part of our next price review.</p> <p>The summary of changes to the Customer Contract explains all our recommendations for the Customer Contract.</p> |
| 30 | Do you agree that the current operating licence requirements for maintaining, and implementing and advertising payment assistance options are the minimum necessary to protect customers experiencing payment difficulty? | <p> Sydney Water supports retaining the requirements to maintain, implement and advertise payment assistance options to help protect customers experiencing payment difficulty. Sydney Water considers that additional operating licence requirements are not necessary as it offers a wide range of payment assistance options for its customers, and it regularly advertises the availability of these payment assistance options.</p> | Nil | <p> EWON supports retaining the requirement for Sydney Water to maintain, implement and advertise payment assistance options to help customers experiencing payment difficulty. However, it notes that the options available to tenants need to be more clearly outlined by Sydney Water, in its customer contract and on its website.</p> | <p>We recommend retaining the current operating licence conditions requiring Sydney Water to maintain and implement a payment assistance policy, which must, at a minimum, provide for:</p> <ul style="list-style-type: none"> • assistance to residential customers experiencing payment difficulty to better manage their current and future bills • procedures for payment plans for residential customers to enter a payment plan where they are experiencing payment difficulties • procedures for identifying the circumstances under which Sydney Water may disconnect or restrict a supply of water to a property • processes for self-identification, identification by community welfare organisations and identification by Sydney Water of customers and consumers experiencing payment difficulty. <p>We recommend:</p> <ul style="list-style-type: none"> • retaining the current operating licence conditions requiring Sydney Water to publish information about the payment assistance options it makes available: |




| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 31(i) | Within the limitations of the current legislative framework, we seek your feedback on how protections could be improved for tenants who are responsible for paying water usage at a separately metered property through the operating licence or customer contract? |  Sydney Water does not support a change to directly billing tenants as this would require legislative changes. Further, a direct relationship is likely to result in increased debt which will be borne by the customer base. |  DPE supports amending the operating licence to require Sydney Water to provide payment assistance to tenants without disclosing their financial situation to the landlord of the property. DPE supports Sydney Water's actions to improve access to information made available publicly and suggest considering the diversity of its customers when considering the format and avenue of information sharing. |  COTA does not support directly billing tenants as COTA considers that this places a risk on landholders if the tenants have outstanding debts when they vacate the premises if the debt falls back on the landlord.  EWON supports a direct billing arrangement between tenants and Sydney Water. EWON would also support additional requirements for Sydney Water to keep the information it publishes about payment assistance options up-to-date and to communicate any changes made. | <ul style="list-style-type: none"> - on its website - to customers as soon as they have been identified as facing payment difficulty - on request through the customer centre.¹ • including new operating licence conditions requiring Sydney Water to keep the information it publishes on its website up-to-date. <p>We do not recommend changes to the operating licence to enable a direct billing relationship with tenants as this is outside the scope of the current legislative framework. If the NSW Government decides to make legislative changes required to allow Sydney water to directly bill tenants, IPART would be available to assist with undertaking any review of costs and benefits.</p> |






| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | | | <p> PIAC supports legislative changes to facilitate (and require) a direct billing relationship between tenants and Sydney Water.</p> <p> The Tenants Union NSW supports a direct billing and service relationship between Sydney Water and tenants, subject to the required legislative reform.</p> | |
| 31(ii) | N/A | N/A | N/A | <p> EWON has suggested that the operating licence should require a separate policy specifically targeted at consumers and the requirement for Sydney Water to deal with consumers in accordance with that document. A policy that outlines consumer options would assist in providing more equitable protections for consumers and ensuring consumers are informed about available assistance.</p> | <p>We recommend including new operating licence conditions for Sydney Water to provide information on its website that clearly sets out what assistance and protections are available to consumers, including tenants. Consumers would benefit from Sydney Water being required to clearly articulate and publish the protections available to them.</p> |





| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 31(iii) | N/A | N/A | N/A |  <p>PIAC recommends expanding the performance indicators that we currently collect from Sydney Water and require more detailed performance data on:</p> <ul style="list-style-type: none"> • consumer and community complaints • payment difficulties • restrictions for non-payment • concessions • customers affected by family violence and hardship programs. | We propose changes to the Reporting Manual to obtain the information PIAC has suggested from Sydney Water. |
| 32 | Does the current operating licence requirement for Sydney Water to implement a family violence policy offer adequate protection for vulnerable customers? |  <p>Sydney Water supports including operating licence conditions requiring Sydney Water to maintain and implement its family violence policy.</p> <p>Sydney Water publishes its family violence policy on its website, and plans to advertise the policy more widely with customers in future editions of its quarterly newsletter Waterwrap.</p> | Nil |  <p>COTA requests that the family violence policy should be extended to cover elder abuse as well, especially financial abuse.</p>  <p>EWON suggested that the operating licence should reflect recent changes to a rule change to the National Energy Customer Framework aimed at protecting customers affected by family violence so that the family violence policies and the support requirements for energy and water will be aligned.</p> | <p>We recommend:</p> <ul style="list-style-type: none"> • defining 'family violence' in the operating licence aligned with the definition in the <i>Family Law Act 1975</i> (Cth). This covers, amongst other types of family violence, elder abuse, as requested by COTA • retaining the current operating licence conditions requiring Sydney Water to: <ul style="list-style-type: none"> - implement a family violence policy and amend the condition to also require Sydney Water to maintain the policy - include how Sydney Water addresses the protection of private and confidential information, access to payment assistance options, processes that minimise the reliance on individuals to disclose their family violence, and processes for referrals to specialist services. • including new operating licence conditions requiring Sydney Water to: |

| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | | | <p> PIAC supports Sydney Water being required to maintain and update a family violence policy. PIAC considers Sydney Water's Family Violence policy robust and well developed. However, there is scope for further development.</p> <p>PIAC has recommended requirements for the family violence policy that the operating licence should specify.</p> | <ul style="list-style-type: none"> - also include in its family violence policy, provisions for identifying customers and consumers experiencing family violence and for customers and consumers to nominate their preferred method of communication and when they can be contacted - publish information about its family violence policy on its website, and provide the information to its customers, annually with their bills - keep the information it provides about its family violence policy up-to-date. |
| 33 | Do you agree that the current operating licence requirements for internal complaints handling are adequate to protect customers? | <p> Sydney Water supports retaining the current operating licence requirements to maintain and implement an internal complaints handling procedure.</p> | Nil | <p> PIAC supports retaining current operating licence requirements for internal complaint handling.</p> <p> PIAC also suggests that IPART should consider making data on the types and frequency of complaints more robust and readily available.</p> | <p>We recommend:</p> <ul style="list-style-type: none"> • retaining the current operating licence conditions for Sydney Water to maintain and implement its internal complaints handling procedure with minor amendments to require the procedure to be consistent with AS/NZS 10002:2022 (instead of the 2014 version specified in the current operating licence), as the latest version of the Australian standard for complaint management. • retaining the current operating licence requirements for Sydney Water to provide information about its internal complaints handling policy and procedures on its website and on request by any person. • including new operating licence conditions for Sydney Water to provide information about the internal complaints handling policy to customers at least annually with bills and to keep the information it publishes up to date. |




| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | The current 2019-2023 operating licence requires Sydney Water to maintain a procedure consistent with Australian Standard AS/NZS 10002:2014 – Guidelines for complaint management in organizations. Sydney Water's procedure is consistent with AS/NZS 10002:2022, the most recent version of the standard and has proposed that the operating licence requirements reflect the current standard too. | | | We propose including a new reporting requirement (in the Reporting Manual) for Sydney Water to prepare, for each financial year, a report about any systemic problems arising from complaints and its performance with managing complaints, including any actions taken to resolve them. |
| 34 | Do you agree that the current operating licence requirements for external dispute resolution are the minimum necessary to protect customers? | <p> Sydney Water supports retaining the current operating licence requirements to be a member of an external dispute resolution scheme.</p> <p>The current operating licence requires Sydney Water to be a member of the Energy & Water Ombudsman NSW (EWON). Sydney Water supports additional flexibility to be a member of another external dispute resolution scheme, if appropriate and more cost-effective, as we proposed in our Issues Paper.</p> | Nil | <p> PIAC supports retaining current operating licence requirements for Sydney Water to be a member of EWON. In addition, PIAC suggests that Sydney Water should be required to make information about EWON's external dispute resolution services available across a number of communication formats, including customer bills.</p> <p> PIAC does not support allowing alternative external dispute resolution in the operating licence.</p> | <p>We recommend retaining the current operating licence conditions requiring Sydney Water to:</p> <ul style="list-style-type: none"> • be a member of EWON • provide information about EWON's dispute resolution services and how customers and consumers can contact EWON: <ul style="list-style-type: none"> - on its website - at least annually with customer bills - on request by any person to Sydney Water's customer centre. <p>We recommend including new operating licence requirements for Sydney Water to keep the information it publishes about EWON up to date.</p> <p>We have not recommended flexibility in the Sydney Water operating licence to allow Sydney Water to be a member of another external dispute resolution scheme. We consider that at this time, there are no suitable alternative schemes that would adequately protect customers.</p> |








| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 35 | Do you agree that the current operating licence requirements for Sydney Water to publicise its customer protection provisions are the minimum necessary to ensure customers are aware of the provisions? | <p> Sydney Water supports retaining the current operating licence requirements for publishing information to customers about the customer protections in the Customer Contract. However, Sydney Water seeks flexibility in how it must provide information about the Customer Contract to its customers.</p> <p>Currently, Sydney Water is required to provide a summary of the Customer Contract to customers at least annually with their bills. Sydney Water states that it currently spends about \$320,000 a year to provide paper copies of the Customer Contract summary to customers.</p> <p>Sydney Water considers that a more cost-effective way of providing information about the Customer Contract is to direct customers to where the information is located on their website.</p> | Nil | <p> EWON does not support allowing alternative external dispute resolution in the operating licence.</p> <p> EWON welcomes Sydney Water's proposal to provide information on its website that sets out what assistance is available to tenants.</p> | <p>The current operating licence already requires Sydney Water to provide information about the protections, assistance and rebates available to customers under the current Customer Contract. As previously discussed under question 31(ii), we recommend amending this operating licence condition to also require Sydney Water to provide information about protections under the Customer Contract that are extended to consumers (which includes tenants).</p> <p>While we acknowledge that additional publication requirements impose costs on Sydney Water, we consider that the benefit to vulnerable consumers makes this change important.</p> <p>Reflecting Sydney Water's concerns with providing a full copy of the summary of the Customer Contract with customer bills, we recommend including new operating licence conditions allowing Sydney Water to refer to the summary of the Customer Contract available on its website in its communications with its customers and consumers as the default. However, we recommend still requiring Sydney Water to provide the summary directly to any customers and consumers on request. This will allow customers and consumers who do not have ready access to the internet to get a copy of the summary if they need.</p> |





| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | <p>Sydney Water intends to notify customers about the availability of the Customer Contract summary at least annually via customer and business newsletters.</p> <p> Sydney Water would support providing information about tenant protections to be made available on our website for easy access.</p> | | | <p>This approach will ensure that the objective of this licence condition, of ensuring customers and consumers are aware of their rights and protections under the Customer Contract, is still achieved while allowing Sydney Water some flexibility in how it achieves it.</p> |
| 36 | Do you agree that the current operating licence should only require Sydney Water to maintain a Customer Council (or Customer and Community Reference Group), to reflect the requirements of the Act, but should not include any additional prescription for the Customer Council? | <p> Sydney Water supports retaining the current operating licence requirements to maintain and consult its Customer Council but seeks that the operating licence refers to its Customer and Community Reference Group (CCRG) instead of 'Customer Council'. Sydney Water supports removing prescriptive requirements in the current operating licence relating to the Customer Council's operations.</p> | Nil | <p> The individual submission representing Sydney Water's CCRG commends how effectively the CCRG is working and seeks no further prescription in the operating licence.</p> <p> COTA supports our preliminary proposal in the Issues Paper.</p> <p> EWON supports our preliminary proposal in the Issues Paper.</p> | <p>We recommend:</p> <ul style="list-style-type: none"> retaining the current operating licence condition for Sydney Water to maintain and consult with its Customer Council (or Customer and Community Reference Group - CCRG) as this is a requirement of the Act removing prescriptive requirements about how Sydney Water is to engage with the CCRG. <p>Customer engagement should not be limited to customer councils, as this may not always be the most effective way to undertake engagement. We prefer not to prescribe how Sydney Water uses its CCRG in the operating licence. Instead, the operating licence acknowledges that the CCRG is to support Sydney Water's customer engagement generally.</p> <p>As explained below (in response to question 37), we recommend retaining the current operating licence requirement for Sydney Water to undertake other forms of customer engagement as well to understand its customers' preferences and willingness to pay for service levels. This is a pillar of IPART's pricing regulatory framework.</p> |




| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 37 | Do you agree that the current operating licence conditions for Sydney Water to undertake customer engagement (outside of its Customer Council) are adequate? |  Sydney Water supports retaining the current operating licence requirements to undertake customer engagement to understand its customers' preferences and willingness to pay for service levels. Sydney Water considers that this is adequate and further operating licence conditions are not necessary. | Nil |  PIAC supports retaining requirements for the CCRG but seeks prescription to require Sydney Water to have 2 separate (if potentially overlapping) groups to fulfil its functions relating to its current operating licence and revenue determinations, as well as its ongoing community stakeholder engagement.  EWON supports including requirements in the operating licence to specify that Sydney Water must undertake customer engagement in accordance with requirements specified in the operating licence, consistent with the 2022-2027 Hunter Water operating licence.  PIAC supports Sydney Water's operating licence explicitly including requirements for Sydney Water to undertake customer engagement consistent with the 2022-2027 Hunter Water operating licence. | <p>We recommend:</p> <ul style="list-style-type: none"> retaining the current operating licence condition for Sydney Water to undertake customer engagement to understand its customers' preferences and willingness to pay for service levels including additional requirements clarifying that Sydney Water's customer engagement should also help it: <ul style="list-style-type: none"> understand how its systems and processes can better support more effective, direct relationships with consumers (including residential tenants) in the lead up to the end of term review of the operating licence, obtain advice and perspectives on operating licence (including the customer contract). <p>We do not recommend including operating licence conditions requiring Sydney Water to develop a procedure to guide its consultation processes. IPART is actively involved in how Sydney Water undertakes its customer consultation under the pricing framework. Further prescription in the operating licence may not provide benefit.</p> |



| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 38 | Should the operating licence include conditions for Sydney Water to develop and implement a customer consultation procedure to guide its consultation processes? |  Sydney Water does not support additional conditions for Sydney Water to develop a customer consultation procedure and consider current direction 3Cs pricing regulatory framework to be sufficient. Sydney Water must demonstrate how it would engage with its customers in a meaningful way to understand its customers' needs and preferences, and that these insights are used to inform its proposal. | Nil |  EWON considers it could be appropriate to require Sydney Water to develop and implement a procedure for consulting with its customers, consistent with the 2022-2027 Hunter Water Operating Licence.  PIAC considers that the operating licence should include additional prescription about how Sydney Water undertakes this customer engagement to be consistent with best practice. | <p>For the 2022-2027 Hunter Water operating licence, we recommended requirements for Hunter Water to develop a procedure to undertake its customer consultation because this would reflect the requirements of the <i>Hunter Water Act 1991</i>. However, the <i>Sydney Water Act 1994</i> does not impose the same requirements on the Sydney Water operating licence. Therefore, we consider that imposing similar requirements as in the Hunter Water operating licence is not justified.</p> <p>We have proposed minimal additional requirements which prescribe what the nature of Sydney Water's engagement with its customers and consumers should include. The proposed new requirements focus on customer preferences and improving services.</p> <p>We have proposed to remove the reporting requirements for Sydney Water's Customer and Community Reference Group. We recommend these changes to support Sydney Water to ensure that its customer engagement work helps it meet our expectations for Sydney Water under the operating licence and the pricing regulatory framework.</p> |
| 5. Critical infrastructure security | | | | | |




| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 39 | Do you agree with maintaining the current operating licence requirements for a cyber security management system until the commencement of the rules under the SOCI Act? |  Sydney Water supports retaining operating licence requirements to maintain and implement a cyber security management system and a critical infrastructure security manager responsible for implementing the cyber security management system and Sydney Water's obligations under the <i>Security of Critical Infrastructure Act 2018</i> (Cth) (SOCI Act), until the new rules in the SOCI Act commence. | Nil | Nil | <p>We recommend retaining requirements in the operating licence to maintain and implement a cyber security management system and a critical infrastructure security manager responsible for implementing the cyber security management system and Sydney Water's obligations under the SOCI Act but only until 18 August 2024.</p> <p>We recommend that these operating licence conditions should be retired on 18 August 2024 to avoid duplication with the new SOCI Act rules which commence on that date.</p> |
| 40 | Do you agree with maintaining requirements in the operating licence for select staff to hold security clearances? |  Sydney Water does not agree with maintaining the current operating licence requirements for select staff to hold national security clearances as it considers them to be redundant. | Nil | Nil | <p>We recommend retaining requirements in the operating licence to maintain security clearances for select staff until 18 August 2024. On 18 August 2024, Sydney Water will be required to comply with the requirements of the SOCI Act for considering and managing its personnel security risk for its assets.</p> |
| 41 | Do you agree with maintaining the current reporting requirements for a cyber security management until the commencement of the rules under the SOCI Act? |  Sydney Water suggests removing the current reporting requirements for an annual independent audit report of the cyber security management system to avoid duplication with the SOCI Act. | Nil | Nil | <p>We propose to remove the current requirement in the reporting manual for Sydney Water to undertake an annual independent audit report of the cyber security management system. We will not include any other reporting requirements.</p> <p>The SOCI Act requires periodic and event-based reporting and for Sydney Water to submit an annual report within 90 days after the end of the financial year. We consider that this is adequate to ensure transparency and accountability.</p> |
| <p>6. Stakeholder cooperation and information and services to competitors</p> | | | | | |

| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 42(i) | Do you agree that the proposed operating licence requirements for Sydney Water to maintain <i>and</i> comply with its MoUs with WAMC, NSW Health and the EPA are adequate to ensure cooperative relationships between these organisations? |  Sydney Water seeks a 'best endeavours' clause when it comes to maintaining the Memoranda of Understanding (MoUs) with the Water Administration Ministerial Council (WAMC), NSW Health and the EPA. |  NSW Health supports retaining the obligation to require a MoU with NSW Health.  The EPA supports retaining the obligation to require a MoU. | Nil | We recommend retaining the current operating licence requirements for MoUs with WAMC, NSW Health and the EPA. These MoUs are required under section 35 of the <i>Sydney Water Act 1994</i> . MoUs are a cost-effective and flexible way of ensuring cooperative relationships. |
| 42(ii) | |  Sydney Water does not support including requirements to comply with the MoUs with NSW Health and the EPA. |  NSW Health supports retaining the obligation to require a MoU and the addition of a requirement to comply with the MoU. | Nil | We recommend including a new operating licence requirement for Sydney Water to comply with its MoUs with WAMC, NSW Health and the EPA. Without a requirement for compliance, it is our view that the MoUs will not be effective in achieving cooperative relationships between Sydney Water and the NSW Health and the EPA. These organisations require Sydney Water's support to fulfill their roles. |
| 42(iii) | |  Sydney Water does not support including requirements to comply with the MoU with WAMC. |  DPE notes that Sydney Water is required to maintain a MoU with WAMC, for the purposes of recognising the role of WAMC in regulating water access, use and management and Sydney Water's right to use water vested in WAMC. | Nil | <p>We recommend retaining the current operating licence requirement for Sydney Water to maintain an MOU with WAMC.</p> <p>We acknowledge these difficulties but consider that softening the operating licence condition to require Sydney Water to use its best endeavours to maintain these MoUs, as requested by Sydney Water, would be inconsistent with the requirements of the Act.</p> |

| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 43 (i) | Should the operating licence require Sydney Water to provide water pressure information at the hydrants in its water supply network to Fire and Rescue NSW (FRNSW), within specified times? | <p> Sydney Water opposes operating licence conditions requiring it to provide water pressure information at hydrants in its water supply network to FRNSW within specified timeframes.</p> <p>Sydney Water states that it is committed to providing the information requested in accordance with timeframes agreed under the MoU. Sydney Water explains that ongoing delays with providing the information have been outside of Sydney Water's control.</p> | <p> FRNSW supports retaining the obligation to require a MoU which it considers effective in maintaining a collaborative relationship with Sydney Water.</p> <p>FRNSW also supports mandating timeframes in the Sydney Water operating licence to obtain information about water pressure in the Sydney Water network.</p> | <p> COTA supports any policies or actions, such as requirements for data sharing, which facilitate effective and timely firefighting capabilities.</p> | <p>We recommend including new operating licence conditions requiring Sydney Water to:</p> <ul style="list-style-type: none"> provide water pressure and flow rate information at the remaining fire hydrants in its water supply network to FRNSW at the dates specified in the operating licence. provide all of the information that FRNSW has sought by the end of the new operating licence term, with interim dates to ensure that the information is provided progressively and not all together at the end of the operating licence period. <p>We acknowledge Sydney Water's intentions to prioritise providing the requested information at its hydrants to FRNSW even without an operating licence mandate. However, given ongoing delays in providing this information, we consider that having a requirement in the operating licence to provide this information will provide assurance to FRNSW and the community that this action will be completed in this operating licence period. We expect there to be minimal burden on Sydney Water on having an operating licence mandate given Sydney Water's intention to provide the information regardless.</p> |
| 43(ii) | | N/A | <p> FRNSW seeks open access to Sydney Water's network performance data for developers and property owners to be able to make informed decisions about their investments, noting that these parties are responsible for ensuring there is adequate water available for firefighting at relevant buildings.</p> | Nil | <p>We do not recommend including new operating licence conditions requiring Sydney Water to provide open access to Sydney Water's network performance data.</p> <p>This is better managed through an existing mechanism whereby developers and property owners can apply to Sydney Water for this information at a cost determined by IPART.</p> |

| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 44 | Do you agree with retaining the current operating licence obligations for protecting WIC Act licensees and other potential competitors when dealing with Sydney Water? |  Sydney Water supports retaining the current operating licence obligations for protecting licensees under the Water Industry Competition Act 2006 (WIC Act) and other potential competitors when dealing with Sydney Water. However, Sydney Water queries whether clause 8.3.2 of the current 2019-2023 operating licence needs to be retained. | Nil | Nil | <p>We recommend retaining the current operating licence condition for Sydney Water to negotiate with WIC Act licensees and other potential competitors in 'good faith'.</p> <p>We also recommend retaining the current operating licence condition for Sydney Water to use its best endeavours to cooperate with each WIC Act licensee to establish a code of conduct required by a WIC Act licence where Sydney Water has received a written request from the WIC Act licensee to establish such a code.</p> |
| 45 | Are the current operating licence requirements for Sydney Water to publish servicing information the minimum necessary to ensure there is adequate information available to market entrants or is there a more efficient way to achieve the same objective? |  Sydney Water is not opposed to retaining the current operating licence requirements for publishing servicing information but seeks to minimise duplication with the requirements to publish similar information in its Developer Service Plans (DSPs). |  DPE supports continuing the data sharing arrangements that allow data to be published and support market entrants (and more specifically between SWC and DPE to assist with the review of GSWS). DPE supports retaining Sydney Water's publishing of servicing information in DSPs until industry feedback confirms there are no gaps in the information required, despite the reintroduction of developer charges. | Nil | <p>We recommend retaining current requirements for Sydney Water to publish servicing information about its water and wastewater systems by the dates specified in the operating licence but clarifying that Sydney Water will have met the requirements of this operating licence condition if the required information is contained in published DSPs.</p> |
| Other | | | | | |

| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 46(i) | Do you have any other issues or concerns you would like to raise relating to Sydney Water's operating licence? |  Sydney water proposes a 4-year term for the new operating licence to align with pricing reviews. | Nil | Nil | We recommend that the term for the new operating licence be for 4 years from 1 July 2024 to 30 June 2028, to allow a 2-year gap between operating licence and pricing reviews. This gap will allow for better customer engagement and resourcing for Sydney Water. The gap will be retained in future with a return to 5-year licence terms. |
| 46(ii) | Operating licence condition regulating how Sydney Water sets its prices in accordance with the terms of the operating licence, the Act and any applicable pricing determination under the IPART Act. |  Sydney Water notes IPART's proposed changes to ensure Sydney Water's service prices do not exceed those specified in the price determination (and requirement for Sydney Water to submit a price proposal) duplicate the <i>IPART Act 1992</i> (IPART Act). Section 18 of the IPART Act already prevents prices being set above the maximum price determined by IPART and section 22 of the IPART Act allows the Tribunal to request information to assist with investigations. | Nil | Nil | We recommend retaining the current operating licence condition requiring Sydney Water to set prices subject to the terms of the operating licence, the Act and IPART determinations. ² We recommend a minor change only to clarify that Sydney Water's prices can be set below the price set by IPART's price determination (just not above). |

| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| 46(iii) | Definitions for planned and unplanned water interruptions in the operating licence |  Sydney Water requests minor changes to the definitions of 'Planned Water Interruption' and 'Unplanned Water Interruption' to be clear that the interruption ends when supply of the service is restored. Sydney Water seeks removal of the term "normal supply" in relation to services restored. | Nil | Nil | We recommend removing the word "normal" from the definitions of "planned water interruption" and "unplanned service interruption" in the operating licence to be clear that service is considered restored when there is a continuous supply of water restored, even if the pressure is lower than normal. |
| 46(iv) | Stormwater drainage |  Sydney Water seeks amendments to the authorisation clause in the operating licence to include its expanded catchment management functions. Sydney Water also proposes to amend the definition of 'stormwater drainage system' to acknowledge that natural waterways and re-use systems are part of best practice stormwater servicing. |  DPE notes that consistent with priority 3 in the GSWS ('our city is green and liveable'), the Statement of Expectations to Sydney Water sets out that the Government expects Sydney Water to contribute to the delivery of thriving and liveable communities within Greater Sydney, through the better integration of land use planning and waterway health and resource management and integrating water cycle management where appropriate. | Nil | We recommend amendments to: <ul style="list-style-type: none"> the current definition for 'stormwater drainage system' in the operating licence to reflect Sydney Water's expanded role and integrated water cycle management approach. the current operating licence authorisations to reflect that Sydney Water will need to engage in stormwater catchment management, including co-ordination with Councils and other parties responsible for stormwater management in the Area of Operations. |

| # | Question | Sydney Water's Response | NSW Government Response | Other Stakeholder Response | Our draft recommendations for the operating licence |
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| | | | <p>On 25 March 2022, the NSW Government announced that Sydney Water is the trunk drainage authority for stormwater in the Western Sydney Aerotropolis, including the Mamre Road Precinct. In managing stormwater in these precincts, Sydney Water is required to meet performance criteria related to water cycle management including waterway health targets and objectives as set out in the relevant environmental planning instruments (EPIs) including:</p> <ul style="list-style-type: none"> • the Aerotropolis Precinct Plan, • the Aerotropolis Development Control Plan and • the Mamre Road Development Control Plan. <p>DPE notes that it is critical for the operating licence to adequately authorise Sydney Water to manage stormwater to meet the relevant performance criteria, targets and objectives within the relevant EPIs.</p> <p>DPE seeks requirements for Sydney Water to report its progress with meeting the performance criteria, including waterway health objectives and targets set out in the relevant EPIs.</p> | | |

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- ¹ 2019-2024 Sydney Water Operating Licence, cl 6.4.2.
 - ² 2019-2024 Sydney Water Operating Licence, cl 1.7.