

Department of Planning and Environment

Deputy Secretary Water briefing note



IPART
PO Box K35
Haymarket Post Shop NSW 1240
Via email: Michelle_Coco@ipart.nsw.gov.au

Our ref: BN23/5180

19 July 2023

Subject: 2023 Operational Audits for Hunter Water, Sydney Water and WaterNSW

Dear Ms Coco

I refer to your letters received on 26 June 2023 (Ref D23/12538; Ref D23/12769; Ref D23/13464) concerning the annual operational audits of Hunter Water, Sydney Water and WaterNSW against their operating licences. Thank you for the opportunity to comment on all three licences.

The Department of Planning and Environment – Water (the Department) has worked closely with Hunter Water, Sydney Water and WaterNSW to ensure a high level of customer service provision to the people of NSW.

To support collaboration and greater strategic alignment across the sector, the Department set up a Water Sector Leadership Group. The group is co-chaired by the Deputy Secretary Water and the Deputy Secretary of Treasury to provide coordinated direction that considers the interests of the Shareholding and Portfolio Ministers.

The Department, Hunter Water, Sydney Water and WaterNSW have developed and maintained several key data sharing protocols and Memorandums of Understanding (MoU) which are working well. Implementation oversight committees are in place for both the Greater Sydney Water Strategy (GSWS) and the Lower Hunter Water Security Plan (LHWSP). These include Sydney Water, Hunter Water and WaterNSW.

There is also governance and reporting as needed to the Water Sector Leaders Group, supplemented by officer-level working groups. The Department is satisfied with the contribution of these groups to the development and implementation GSWS and LHWSP.

The roles and responsibilities agreement for the Conferred Functions was renewed in June 2021 and the parties are collaborating to implement the new arrangements and make any necessary updates to reflect changes around floodplain licensing.

The Government expectations and priorities in the NSW Water Strategy, LHWSP and GSWS closely align with conditions in the Operating Licences, and the Department looks forward to receiving IPART's audit reports to identify areas where we can support the utilities to deliver against licence conditions and government expectations.

Comments on compliance, including responses to IPART's specific questions for each of the licences are provided below.

Hunter Water

A revised MoU was agreed between the Department and Hunter Water in late 2022. This was drafted to better reflect the implementation phase of the LHWSP and to also cover broader elements of water planning. Specific clauses were included to capture government expectations for Hunter Water's water conservation plan and the drought response plan. Hunter Water is currently consulting with the Department on the development of these two plans.

In June 2023, the Department, in consultation with Hunter Water contacted IPART to request an extension to the delivery date of Hunter Water's Water Conservation Plan. This was to facilitate alignment with the broader monitoring, evaluation, and review process for the LHWSP and to create efficiencies in reporting for all parties.

The revised MOU included clauses to reflect the Department's expectations for integrated water management, specifically the integration of drinking and wastewater assets in long term investment planning. The Hunter Water Long-term Integrated Investment Plan will provide government visibility of significant capital and operational investments in drinking water, wastewater, and drainage services over a 20-year outlook. This is due to DPE on 1 December 2024.

Hunter Water has developed a program of work to support the wider adoption of the Integrated Water Cycle Management (IWCM) planning approach. To date, Hunter Water has reviewed and identified opportunities for IWCM both within Hunter Water and across the Lower Hunter region, working closely with stakeholders to capture the range of actions that can deliver to this objective and relevant commitments within the LHWSP. Hunter Water has engaged with the Department through stakeholder workshops and has delivered on their commitment to release a discussion paper related to IWCM opportunities within the Lower Hunter.

The Department is satisfied that Hunter Water has acted in accordance with the Roles and Responsibilities Protocol during the audit period.

Sydney Water

Sydney Water has an MoU with the Water Administration Ministerial Corporation. Sydney Water reports on its compliance with the MoU to the Department monthly. Sydney Water no longer reports directly to NRAR (at NRAR's request). The Department is satisfied that Sydney Water complies with this condition. While Sydney Water has complied with its licence obligations regarding data sharing, in future data sharing may need to be expanded to include daily flow and discharge data reporting to the Department and WaterNSW, in order to implement the Greater Metro Water Sharing Plan and Greater Sydney Water Strategy.

Sydney Water also participated in the inter-agency working group and the Project Control Group for the GSWS. The Department is satisfied that Sydney Water has met condition 3.2.5 of the licence.

Noting the revised dates for submission of the Long-Term Capital and Operational Plan (LTCOP) and Emergency Drought Response Plan (EDRP), a draft EDRP was submitted to the Minister 1 December 2021.

Following an annual review, an updated version of what is now called the Greater Sydney Drought Response Plan (GSDRP) was provided to the Department. Sydney Water, WaterNSW and the Department collaborated closely in the development of the Greater Sydney Drought Response Plan and its subsequent revision. Sydney Water and WaterNSW LTCOPs were submitted to the Minister 1 June 2023, in accordance with revised dates.

The Department considers that WaterNSW and Sydney Water collaborated closely in the development of their respective LTCOPs, and that the Department was adequately consulted during the development and finalisation of these documents. The scope and content of these LTCOP's generally align with the Department's expectations for these deliverables.

WaterNSW and Sydney Water collaborated closely with the Department in the development of the GSWS, and both play a key role in the governance of strategy implementation via their representation on the inter-agency Implementation Oversight Committee and the GSWS Implementation Working Group. A 3-year Implementation Plan was published with the Strategy and the Department considers that Sydney Water has significantly progressed those actions due in July 2023 for which it has primary accountability.

With respect to the Ministerial Direction of 31 January 2021, regarding supply augmentation planning for Greater Sydney, Sydney Water submitted a Strategic Business Case for Resilient and Reliable Water Supply to Infrastructure NSW Gateway review in May 2023. The Government is actively considering those recommendations prior to finalisation of any specific business cases.

Sydney Water have been working with the Department on a joint Water Conservation Plan to articulate how the targets for water efficiency and conservation in the GSWS will be achieved. Ongoing revisions to the water conservation plan will form part of the Department's annual Monitoring, Evaluation and Review process.

IPART's 2020-21 audit noted Sydney Water had made significant progress with its water efficiency program but there were opportunities for improvement in relation to reporting and program evaluation and review.

Due to the importance of ongoing water efficiency gains the Department would encourage IPART maintain its audit focus on water efficiency. Improvements could be

made to make the reporting more transparent, particularly around the cost per kilolitre (as recommended by IPART's 2022 audit), how water savings are calculated, assumptions made, and programs evaluated. As an example, a substantial amount is spent on water wise communications activities and greater transparency around where the investment is targeted, and the assumed water savings is needed.

Water NSW

The roles and responsibilities agreement for the Conferred Functions was executed 30 June 2021 between WaterNSW, the Department and the NRAR. The agreement sets out how the three agencies collaborate and work together to deliver key water management functions. The Department is currently consulting with WaterNSW and NRAR to make further updates that reflect changes to flood plain harvesting.

An MoU was agreed between the Department and WaterNSW regarding the sharing of data and information end of August 2020. WaterNSW has complied with the requirements of the MOU, and has provided significant data, modelling, and other resource support for the development of the GSWS.

WaterNSW and the Department have collaborated and established a more robust process for reporting and resolving data access and data quality issues. A backlog of issues are yet to be resolved and analysis shows that constraints limit WaterNSW implementing improvements to address systemic data issues.

The Department has significant dependencies on WaterNSW systems and technology to access data and perform critical business activities. System changes have impacted the Department's access to data.

WaterNSW provided the Department with access to the Duly Qualified Persons (DQP) Portal, however there are still some ongoing access limitations that are impacting customer service, which are being considered as part of the broader review of the WaterNSW Operating Licence.

Should you wish to discuss this matter further, please contact Ashraf El-Sherbini, A/Chief Operating Officer, via email ashraf.el-sherbini@dpie.nsw.gov.au or phone [REDACTED]

Yours sincerely,

A black rectangular redaction box covering the signature of Amanda Jones.

Amanda Jones
Deputy Secretary, DPE Water