



Independent Pricing and Regulatory Tribunal

# End of Term Review of State Water Corporation's Operating Licence

Report to the Minister for Water

Water Licensing — Final Report  
May 2008

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# 1 Introduction

The Independent Pricing and Regulatory Tribunal (IPART) has completed an end of term review of State Water Corporation's (State Water) Operating Licence. This review has been conducted under Part 4B of the *Independent Pricing and Regulatory Tribunal Act 1992* (the IPART Act).

State Water's current Operating Licence (the Licence) will expire on 23 June 2008. IPART is required to review the Operating Licence and recommend terms of an amended or new Licence, effective from 24 June 2008, to the Minister responsible for administering the *State Water Corporation Act 2004* (the State Water Act).

IPART has drafted the recommended terms of a new Licence for State Water. A copy of the revised Licence is attached for the Minister's consideration and approval. The recommended Licence is not significantly different to State Water's current Licence.

The major changes relate to provisions dealing with metering and the conferral of additional functions of the *Water Management Act 2000* (Water Management Act), *Water Act 1912* (Water Act) and *New South Wales –Queensland Border Rivers Act 1947* (Border Rivers Act) upon State Water through the Licence.

In regard to metering, IPART has endeavoured to ensure that State Water's Licence reflects the necessary responsibilities that State Water should assume with regard to reading meters and testing meter accuracy.

IPART, in consultation with the Department of Water and Energy (DWE) and State Water has revised the conferral of several functions of the Water Act and Water Management Act upon State Water and also recommended that new functions of the Water Act, Water Management Act and Border Rivers Act are conferred upon State Water through the Licence.

The revision of conferred powers ensures that the powers conferred upon State Water are now consistent with its actual operational responsibilities and ensures that State Water has the appropriate statutory power to undertake these responsibilities.

The Minister is not bound to accept the recommendations of IPART. Following consideration by the Minister, the amended or renewed Licence should be gazetted prior to 24 June 2008.

This report sets out IPART's recommendations and discusses the reasoning for making the amendments to the Licence. Section 2 of this report outlines the review process. Section 3 discusses IPART's key findings and recommendations. Section 4 discusses the regulatory framework which governs State Water's operations. Sections 5 to 13 discuss IPART's recommendations and their impacts for each part of the Operating Licence.

## 2 | Review Process

In October 2007, IPART released an Issues Paper that discussed the key issues for the review of State Water's Licence and sought submissions from State Water and other stakeholders on issues important to the review. The stakeholder submissions to the review can be found on IPART's website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au). A list of stakeholders who provided submissions is set out in Appendix A.

On the whole there was general consensus from submissions on each of the issues posed by IPART, and the direction in which the Licence review should proceed. As a result, IPART determined that that a public workshop would not be necessary.

In place of the proposed public workshop, IPART held bi-lateral discussions with State Water, the Department of Water and Energy (DWE) and water users to further discuss issues relevant to the review of the Licence.

IPART prepared an internal Regulatory Impact Statement (RIS), which analysed the impact of any amendments that were proposed for the new Licence. The discussion from the RIS has been incorporated into this report.

IPART has made its recommendations for the new Licence, taking into account all of the information and analysis obtained through this review process.

IPART's assessment of the requirements imposed by this Licence suggests that, overall, State Water will incur minimal additional impacts. IPART considers that the costs to State Water in complying with this Licence will not be significantly different to those under the current Licence. At the same time, the proposed Licence will provide increased benefits to customers, the community and the environment.

## 3 Review Findings and Recommendations

In keeping with the requirements of the State Water Act, the current Licence includes requirements that relate to providing, constructing, operating, managing and maintaining efficient, co-ordinated and commercially viable systems and services to capture, store and release water.

The Licence also ensures that State Water's systems and services meet the performance standards specified in the Licence in relation to the provision of water to customers and the environment.

Over the term of the current Licence, State Water has performed satisfactorily and has generally met the terms and conditions specified in the Licence. However, there have been several exceptions, including a lack of progress with auditing metering accuracy and the provision of financial information to Valley based Customer Service Committees.

In addition, since the corporatisation of State Water, and separation of the resources regulator (DWE) from resource operator (State Water), there has been uncertainty between the two organisations regarding which was responsible for undertaking various activities. The Licence review has resolved these issues and so should foster a better working relationship between the two organisations.

IPART recommends several amendments to the Licence, which it considers will improve the performance of State Water. These changes are summarised in Table 3.1. The significant recommendations to this review have been highlighted in this table and are detailed further in this report. Less significant recommendations include changes which do not impose any significant impact on the regulation of State Water. These have not been further discussed.

In addition to the recommendations in Table 3.1 IPART recommends updating the structure and terminology of the Licence to ensure that it is consistent with the more contemporary Licences for Sydney Water Corporation, Sydney Catchment Authority and Hunter Water Corporation. These changes are reflected in the presentation and wording of the new Licence.

**Table 3.1 Recommendations of the Licence Review**

Licence Area	Recommendation	Reason
<b>Section 1 – Information about this Licence</b>	▼ That the Licence is renewed for a term of five years	▼ To provide a regulatory timeframe in which State Water can develop and improve operational processes.
	▼ That IPART undertake a mid term review if there is a major event or change in regulation that significantly impacts the Licence	▼ To provide the opportunity to address any regulatory uncertainty arising from the implementation of the Commonwealth <i>Water Act</i> 2007.
<b>Section 2 - State Waters Responsibilities</b>	▼ That the Licence maintains the current Licence requirements concerning the agreement and maintenance of Memorandum of Understanding.	▼ To facilitate agreement between State Water and its regulators regarding the implementation of State Water's regulatory regime.
	▼ That functions of the <i>Water Management Act</i> 2000 <i>Water Act</i> 1912 and <i>NSW-QLD Border River Act</i> 1947 are conferred upon State Water.	▼ To better define the statutory framework within which State Water operates.
<b>Section 3 – Asset Management</b>	▼ No recommendation	▼ Current Licence provisions are achieving their objectives.
<b>Section 4 -Customer's Rights and Consultation</b>	▼ That a representative of DECC or its nominee is included on each valley based Customer Service Committee (CSC)	▼ To recognise the environment as a water user and to provide representation for this use on valley based CSCs.
	▼ To maintain the current requirements concerning the provision of financial information to CSCs	▼ To avoid unnecessary regulatory burden and to recognise State Water's significant investment of resources to improve this area.
	▼ To maintain the existing provisions for the Customer Service Charter, and include a provision to review the Charter in light of any audit findings.	▼ To provide an effective mechanism to review the Charter.
	▼ To provide customers with a contact number on their bills, through which customers seeking financial assistance can contact State Water.	▼ A contact number, rather than detailed plans on each bills is the most efficient method of advising customers of available financial assistance.

Licence Area	Recommendation	Reason
<b>Section 5 -Complaint and Dispute Resolution</b>	<ul style="list-style-type: none"> <li>▼ That State Water updates its <i>“Complaint and Dispute Handling Procedure”</i> and <i>“External Dispute Resolution Scheme”</i>.</li> </ul>	<ul style="list-style-type: none"> <li>▼ To ensure that State Water’s plans and strategies are compliant with the relevant standards.</li> </ul>
<b>Section 6 - Water Delivery Operations</b>	<ul style="list-style-type: none"> <li>▼ That State Water is required to read meters.</li> <li>▼ That State Water must adopt a National or State metering standard</li> <li>▼ That the Licence defines the responsibilities of State Water concerning water infrastructure operation functions.</li> </ul>	<ul style="list-style-type: none"> <li>▼ To provide State Water with an explicit responsibility to read meters.</li> <li>▼ To explicitly specify a metering standard by which State Water can audit meter accuracy</li> <li>▼ To provide more precise definition of State Water’s responsibilities.</li> </ul>
<b>Section 7 - The Environment</b>	<ul style="list-style-type: none"> <li>▼ That State Water must review and update its EMP before its expiration in 2011.</li> </ul>	<ul style="list-style-type: none"> <li>▼ To avoid discontinuity.</li> </ul>
<b>Section 8 - Performance Indicators</b>	<ul style="list-style-type: none"> <li>▼ That State Water is to comply with the NWI rural indicators.</li> <li>▼ That State Water report against the updated suite of indicators provided in Schedule 1 to the Licence</li> </ul>	<ul style="list-style-type: none"> <li>▼ To permit collection of NWI data.</li> <li>▼ To allow State Water to report on its operations accurately and efficiently.</li> </ul>
<b>Section 9 - Pricing</b>	<ul style="list-style-type: none"> <li>▼ Former Clause 10.2 and 10.3 be deleted</li> </ul>	<ul style="list-style-type: none"> <li>▼ These clauses are outdated and no longer relevant.</li> </ul>
<b>Section 10 - Licence Authorisations and Area of Operations</b>	<ul style="list-style-type: none"> <li>▼ That State Water is authorised to undertake its functions in the area of operations of another water authority with the permission of the relevant authority.</li> </ul>	<ul style="list-style-type: none"> <li>▼ To allow State Water to undertake its functions outside its area of operations.</li> </ul>
<b>Section 11 - Operational Audits of the Operating Licence</b>	<ul style="list-style-type: none"> <li>▼ That the Licence specify an annual audit regime</li> <li>▼ That the Licence make allowance for a risk based audit as determined by IPART</li> </ul>	<ul style="list-style-type: none"> <li>▼ To provide direction and support in establishing and maintaining performance against the Operating Licence conditions.</li> </ul>
<b>Section 13 - Definitions and Interpretation</b>	<ul style="list-style-type: none"> <li>▼ Update and add new definitions</li> </ul>	<ul style="list-style-type: none"> <li>▼ Regulatory consistency</li> </ul>

## 4 Regulatory Framework

State Water operates in a highly regulated environment. The main statutory and regulatory instruments include:

- ▼ *State Water Corporation Act 2004*
- ▼ *State Owned Corporation Act 1989*
- ▼ *Dams Safety Act 1978*
- ▼ *Water Management Act 2004*
- ▼ *Water Act 1912*
- ▼ *New South Wales – Queensland Border Rivers Act 1947*
- ▼ The Operating Licence
- ▼ Water Sharing Plans (WSP)
- ▼ Works Approvals (under development by DWE)
- ▼ Implementation Manuals (under development by DWE)

### 4.1 The Role of the Operating Licence

The Licence is a key element of the regulatory framework which sets the direction and performance criteria for State Water, and monitors its performance against these criteria. IPART views the Licence as the overarching regulatory instrument for State Water. The role of the Licence is to:

- ▼ meet the objectives and other requirements imposed on State Water by the State Water Act;
- ▼ recognise the rights given to customers and the community;
- ▼ set quality and performance standards with which State Water must comply.

IPART considers that the Licence should complement, and be consistent with, other regulatory requirements imposed on State Water. Importantly, the Licence should not duplicate other regulatory instruments. The Licence is an important instrument of transparency and accountability for State Water. The proposed new Licence therefore, reflects IPART's view on the role of the Licence in the context of the overall regulatory framework facing State Water.

## 4.2 Regulatory Best Practice

In developing the proposed new Licence for State Water, IPART has been mindful of concerns about the burden of regulation and the cost that regulation imposes on “doing business”, which, must ultimately be passed to customers. IPART is also mindful that State Water currently has a monopoly in the supply of certain services within a designated area. The Licence, together with other regulatory instruments is intended to protect the community from any abuse of that position of market power by State Water.

IPART is therefore cognisant of the need to balance the benefits and costs of regulation in making recommendations to the Minister on the terms and conditions in State Water’s Licence. To represent regulatory best practice, the Licence should achieve the desired outcomes without imposing unnecessary compliance and administration costs.

In order to ensure that the proposed Licence for State Water achieves regulatory best practice, IPART has undertaken an internal RIS. IPART has taken account of the need for greater co-ordination of regulatory effort, streamlining of regulatory processes (including the use of common definitions and reporting frequencies across regulatory agencies) and the identification and removal of unnecessary reporting requirements.

## 5 Information about the Licence (Part 1)

Part 1 of the Licence provides details concerning the purpose, term and review of the Licence, and the undertaking of Licence reviews. IPART considered this section as a part of its review and recommends several amendments. These amendments aim to better facilitate the operations of State Water and provide for a more efficient regulatory environment.

### Recommendation

- 1 That the Licence is renewed for a term of five years
- 2 That the Licence includes a provision for IPART to undertake a mid term review if there is a major event or change in regulation that may significantly impact the Operating Licence of State Water.

### 5.1 Licence Term

Section 14 (1) of the State Water Act provides that the term of the initial Licence is for a maximum period of three years as determined by the Governor. After this initial term the Licence may be renewed by the Governor for up to a maximum of five years at a time.

There are a number of costs and benefits associated with changing the term of the Licence. IPART assessed these costs and benefits as a part of undertaking its RIS. The results are provided in Table 5.1.

A shorter Licence term leads to higher administration costs resulting from the cost of more Licence reviews and the cost to State Water of any changes to its processes recommended by these reviews. The benefits of frequently reviewing the Licence are that any inconsistency can be amended readily. However, more frequent review involves a constantly changing regulatory environment which creates instability for State Water. This may mean that State Water is unable to consolidate its operations sufficiently to achieve the goals and targets in the Licence.

Increasing the term of the Licence to the maximum period of five years will have lower administrative costs. IPART assesses that greater community, customer and environmental benefits are available if State Water operations are allowed to stabilise over a longer licence term.

## 5.2 Mid Term Review

As a part of undertaking this review, IPART has been mindful of the potential impact of the Commonwealth *Water Act 2007*, in particular to ensure that State Water will operate consistently with the proposed “Basin Plan” as specified by that legislation. IPART also considers that it is important that the Operating Licence makes this consistency clear, to ensure that State Water is operating under a firm and stable regulatory framework.

It is because of these uncertainties that IPART recommends that the Licence includes a new clause which gives IPART the discretion to undertake a mid-term review if there is a major event or change in regulation or public policy which may affect the Licence of State Water. IPART notes that a similar clause in the Sydney Catchment Authority Operating Licence was triggered by the amendment of the *Sydney Water Catchment Management Act 1998*. In that case the Tribunal determined that no review was necessary.

Table 5.1 Costs and benefits of changing the Licence Term

Issue	Objectives	Options	Magnitude of costs		Magnitude of benefits		
			Government Administration	State Water Compliance	Wider Community	Direct Customers	Environment
▼ The State Water Act provides that the Licence can be renewed for a maximum term of 5 years. The initial Licence term was three years as provided by the State Water Act. Should the Tribunal maintain the 3 year term or increase the term of the Licence to 5 years?	▼ To enable the establishment of an efficient, cost effective regulatory mechanism that is operational for a sufficient time so as to identify faults within the system but also enough time to derive meaningful strategies from plans, indicators and audits.	Maintain a 3 Year Licence Term	Medium-High	Medium - High	Medium	Medium	Medium
		Increase the Term of the Licence to 5 years	Low-Medium	Low-Medium	Medium-High	Medium-High	Medium-High

## 6 State Water's Responsibilities (Part 2)

State Water and DWE have complementary roles in the management and release of water in NSW. This necessitates a cooperative approach between these agencies. State Water's main role is to release water to customers and for environmental benefit, to manage water infrastructure assets, and to deliver commercial services. The principal functions of State Water are defined in Section 6 of the State Water Act.

An important matter raised in the Issues Paper concerned the proper alignment of the functions and responsibilities conferred upon State Water by the Licence and State Water's current activities. As a part of its review, IPART, in consultation with State Water and DWE has addressed this issue to ensure that the functions and responsibilities of State Water are appropriately defined within the Licence.

### Recommendation

- 3 That the Licence maintains the current requirements concerning the agreement and maintenance of Memoranda of Understanding.
- 4 That the Licence confers upon State Water, on a non-exclusive basis, the revised functions of the *Water Management Act 2000*, set out in Table 6.2 of this report.
- 5 That the Licence confer upon State Water on a non-exclusive basis the revised functions of the *Water Act 1912*, set out on page 18 of this report
- 6 That the Licence confers upon State Water, on a non-exclusive basis, the additional functions of the *Water Act 1912* and *Water Management Act 2000*, set out on pages 19-20 of this report.
- 7 That the Licence confers upon State Water on a non-exclusive basis certain functions of the *New South Wales –Queensland Border Rivers Act 1947* as set out in page 20 of this report.

### 6.1 Memoranda of Understanding

The current Licence includes obligations relating to State Water's interactions with some state regulators. These include a requirement to establish and maintain a Memorandum of Understanding (MoU) with DWE, the Department of Primary Industries (DPI) and the Department of Environment and Climate Change (DECC). It should be noted that there is no express requirement in the State Water Act for State Water to enter into a MoU with any organisation. During its review, IPART investigated the value of these agreements.

In submissions to the Issues Paper, both DPI and DECC made comments on the importance of the MoU with State Water and voiced their support in maintaining the provisions for a MoU in the Licence. Therefore, IPART recommends that the obligation to maintain a MoU with both DPI and DECC remains in the Licence.

The current Licence also contains provisions for the agreement of a MoU between State Water and DWE. IPART has investigated the value of the MoU with DWE. The result of this analysis is presented in Table 6.1. The analysis concluded that the best option is for State Water to maintain the current Licence provisions.

During the 2005/06 Operational Audit, State Water was assessed as having low compliance for the development of a MoU between State Water and the then Department of Infrastructure Planning and Natural Resources (DIPNR). Submissions to the Issues Paper suggested that more specific conditions for entering into and maintaining a MoU should be included in the Licence, with the objective to foster a better relationship between State Water and DWE. IPART considers that the purpose of a MoU is for the parties to establish the terms of a mutual agreement and not for IPART to dictate them. IPART also considered that imposing mandatory provisions on a MoU would result in increased regulatory burden on State Water, without corresponding benefits, as it is difficult to enforce compliance with a MoU, especially where the compliance of only one party is considered.

In the recent Licence review of Hunter Water Corporation, IPART recommended that it was not necessary for Hunter Water to enter into and maintain a MoU with DWE. However, with regard to State Water, IPART is of the opinion that a MoU would be beneficial to both parties. IPART considers that maintaining the current Licence provisions will give both parties sufficient freedom to stipulate their own terms and conditions for a MoU without imposing additional costs or regulatory burden.

## 6.2 Statutory functions of State Water arising from other legislation

### Existing Statutory Functions conferred upon State Water through the Licence

Section 12(3) of the State Water Act, provides that the Operating Licence (the Licence) may confer (subject to the approval of the Minister) powers of the Minister or the Ministerial Corporation upon State Water.

Section 3 of the current Licence confers upon State Water a number of functions under both the Water Act and Water Management Act upon State Water. As a part of its review, IPART assessed the relevance of these existing functions and whether they should be maintained in the Licence. IPART consulted with DWE and State Water in making its recommendation.

IPART recommends that the new Licence retain all of the functions of the Water Management Act and Water Act that are currently conferred upon State Water

through the Licence. However, the conferral of these functions should be now subject to certain restrictions negotiated between State Water and DWE.

Table 6.2 provides the proposed revised functions of the Water Management Act that IPART recommends should be included in the new Licence. These revised functions have been agreed between State Water and DWE.

**Table 6.2: Revised existing functions conferred upon State Water under the Water Management Act 2000.**

Existing Function	Revised Function
<i>Water Management Act 2000</i>	
<ul style="list-style-type: none"> <li>▼ granting consents to temporary water transfers under sections 71T and 71V;</li> <li>▼ debiting and crediting of water accounts under sections 76, 85 and 85A;</li> <li>▼ suspending access licences under section 78 and suspending approvals under section 109;</li> <li>▼ debiting water from water accounts and/or imposing civil penalties under section 85B;</li> <li>▼ imposing and recovering fees and charges under section 114;</li> <li>▼ directing temporary water restrictions under section 323;</li> <li>▼ issuing directions concerning the production of information under section 324, waste of water under section 325, and unusable water management works under section 330;</li> </ul>	<ul style="list-style-type: none"> <li>▼ granting consents to temporary water transfers under sections 71T and 71V;</li> <li>▼ debiting and crediting of water accounts under sections 76, 85 and 85A subject to the condition that State Water provide water account information to DWE;</li> <li>▼ suspending access licences under section 78 and suspending approvals under section 109 in relation to a failure to pay any fees, charges or civil penalties imposed by State Water ;</li> <li>▼ debiting water from water accounts and/or imposing civil penalties under section 85B subject to the condition that State Water provide 14 days written notification of proposed action to the DWE Executive Director Water Legal and Compliance or DWE Deputy Director General Water Management prior to taking action;</li> <li>▼ imposing and recovering fees and charges under section 114 consistent with any relevant Bulk Water Determination by IPART or any other pricing authority vested with the power to determine water prices in the State of New South Wales;</li> <li>▼ directing temporary water restrictions under section 323 where water restrictions are required as a result of an emergency works failure. In such cases, State Water must notify in writing the DWE Executive Director Water Legal and Compliance or the DWE Deputy Director General Water Management as soon as practicable afterwards;</li> <li>▼ issuing directions concerning the production of information under section 324 to require production of information related to metering;</li> <li>▼ issuing directions concerning the waste of water under section 325 subject to any requirement approved by the Minister;</li> </ul>

Existing Function	Revised Function
	<ul style="list-style-type: none"> <li>▼ issuing directions concerning unusable Water Management Works under section 330 subject to any requirement approved by the Minister;</li> </ul>
<ul style="list-style-type: none"> <li>▼ issuing directions to protect water sources under section 326 and stop work where unlawful activity is occurring under section 327;</li> </ul>	<ul style="list-style-type: none"> <li>▼ issuing directions to protect water sources under section 326 subject to any requirement approved by the Minister;</li> <li>▼ issuing directions to stop work where unlawful activity is occurring under section 327 subject to any requirement approved by the Minister;</li> </ul>
<ul style="list-style-type: none"> <li>▼ issuing directions to holders of basic landholder rights under section 328;</li> </ul>	<ul style="list-style-type: none"> <li>▼ issuing directions to holders of basic landholder rights under section 328 subject to any requirement approved by the Minister;</li> </ul>
<ul style="list-style-type: none"> <li>▼ issuing directions for temporary stop work orders under section 329;</li> </ul>	<ul style="list-style-type: none"> <li>▼ issuing directions for temporary stop work orders under section 329 subject to any requirement approved by the Minister;</li> </ul>
<ul style="list-style-type: none"> <li>▼ ordering landholders to take specified measures to prevent damage to water management works by straying stock under section 331;</li> </ul>	<ul style="list-style-type: none"> <li>▼ ordering landholders to take specified measures to prevent damage to water management works by straying stock under section 331 subject to any requirement approved by the Minister;</li> </ul>
<ul style="list-style-type: none"> <li>▼ taking remedial measures when a person fails to comply with directions, under section 334;</li> </ul>	<ul style="list-style-type: none"> <li>▼ taking remedial measures when a person fails to comply with directions, under section 334 subject to any requirement approved by the Minister;</li> </ul>
<ul style="list-style-type: none"> <li>▼ applying to the Land and Environment Court for an injunction under section 335;</li> </ul>	<ul style="list-style-type: none"> <li>▼ applying to the Land and Environment Court for an injunction under section 335 subject to any requirement approved by the Minister;</li> </ul>
<ul style="list-style-type: none"> <li>▼ issuing certificates under section 362B; and</li> </ul>	<ul style="list-style-type: none"> <li>▼ issuing certificates under section 362B, subject to any requirement approved by the Minister;</li> </ul>
<ul style="list-style-type: none"> <li>▼ recovering fees, charges and civil penalties under sections 362A and 362C.</li> </ul>	<ul style="list-style-type: none"> <li>▼ recovering fees, charges and civil penalties under sections 362A and 362C, subject to any requirement approved by the Minister;</li> </ul>

IPART also recommends that the new Licence maintains those functions of the Water Act which are currently conferred upon State Water through section 3.1.2 of the Licence. However, IPART recommends that these functions should now be subject to the following condition negotiated between DWE and State Water

State Water may only exercise functions of the Water Act in relation to its operations on the Belubula, Brogo and Peel Rivers, the Border Rivers, the Lowbidgee area, and Iron Pot Creek.

It should also be noted that any function conferred upon State Water that relates to water charges, is only applicable to those charges which are imposed by State Water.

In addition to the existing functions conferred upon State Water through the Licence, IPART considered the conferral of a number of new functions upon State Water as a part of this review.

### Additional Statutory Functions

Over the course of this review State Water advised IPART that it currently undertakes several functions of the Water Act and Water Management Act that are not expressly recognised in its Licence. In order to address this regulatory inconsistency, State Water requested, in its submission to IPART's Issues Paper, that several functions of the Water Act and Water Management Act should be conferred upon State Water through the Licence. In addition, State Water requested the conferral of several functions of the Water Administration Ministerial Council under the *New South Wales – Queensland Border Rivers Act 1947* (Border Rivers Act).

State Water submitted that the objective of conferring these additional functions upon State Water is to ensure that it has a clear regulatory basis for all of its current operations.

IPART reviewed each of the functions requested by State Water and analysed why State Water would require these functions. IPART is satisfied that the new functions for which State Water seeks a conferral of power are consistent with State Water's current operational responsibilities. In making its recommendations, IPART engaged in detailed consultation with both DWE and State Water. The conferral of these additional functions is discussed below.

#### *Water Act 1912*

Currently, the Licence confers upon State Water a more comprehensive suite of powers by reference to the Water Management Act than it does by reference to the Water Act. This is despite the fact that a number of river valleys where State Water carries out operations remain subject to administration under the Water Act.

IPART considers that the conferral of the additional powers of the Water Act will grant State Water the ability to exercise similar regulatory powers (to the extent that those powers are available) under both the Water Act and the Water Management Act.

IPART recommends that the following functions of the Water Act should be conferred upon State Water through the Licence.

- ▼ sections 17A(1), (2) and (3) – power of the Ministerial Corporation to suspend or revoke licences to conduct water works (including taking of water from a river or lake)
- ▼ sections 20H(1), (2) and (3) – power of the Ministerial Corporation to suspend or revoke an authority granted to enable the taking of water from a river or lake for the purposes of a joint water supply scheme

- ▼ sections 20S(1), (2) and (3) – power of the Ministerial Corporation to suspend, modify or revoke a group licence granted to a board of management elected under the *Private Irrigation Districts Act 1973*
- ▼ section 21 B(1)(b) – power of the Ministerial Corporation to give a direction to remove the whole or part of a water work
- ▼ section 22(1) – power of the Ministerial Corporation or any person authorised by the Corporation to enter any land to take levels, make surveys and marks, fix pegs and stakes and inspect any water works
- ▼ section 22(3)(a) and (b) – power of the Ministerial Corporation to enter land and remove any dam, weir or other work that unlawfully obstructs a water flow or prevent or stop any unlawful diversion of water from a river or lake
- ▼ section 192 – power of the Ministerial Corporation to issue a written enforcement order directing a water management authority to do or cease doing such things as specified in the order
- ▼ section 194 – power of the Ministerial Corporation to fix water management charges. (It is noted that State Water has comparable powers already conferred under section 22C of the Water Act and section 114 of the Water Management Act)

#### *Water Management Act 2000*

The Licence already confers upon State Water the function of granting consent for temporary transfers under sections 71T and 71V of the Water Management Act. The conferral of power to approve the relevant form under section 71L is, in IPART's view, an appropriate administrative function for an agency that actually administers these applications.

State Water has requested that the following additional function be conferred upon it under the Water Management Act. .

- ▼ section 71L – power of the Minister to approve the form of applications for a dealing in an access licence (noting that State Water currently has conferred power to grant consents to temporary water transfers under sections 71T and 71V)

#### *New South Wales-Queensland Border Rivers Act 1947*

Finally, State Water has requested that the following functions be conferred upon it under the *New South Wales-Queensland Border Rivers Act 1947* (Border Rivers Act).

- ▼ section 14 - constructing, maintaining, operating and controlling works
- ▼ section 20 - exercising the powers etc of the controlling authority

The Border Rivers Act established a scheme for the joint management and operation of NSW-QLD State owned “water supply works” located on the Border Rivers. The relevant government departments currently responsible for the Commission are the

Queensland Department of Natural Resources and Water and the New South Wales Department of Water and Energy.

Following State Water's corporatisation, and the separation of the Department's resource regulation functions (now exercised by DWE) from the Department's resource operation functions (now exercised by State Water), State Water has, in practice, assumed responsibility for the obligations imposed by sections 14 and 20 of the Border Rivers Act. The ownership of works constructed by NSW as "Border River Commission Works" has been transferred to State Water.

This position has been accepted by DWE, subject to any requirement of the Minister and the Border Rivers Commission.

IPART considers that the conferral of functions of the Border Rivers Act will provide a clear regulatory basis for State Water to exercise its functions in the Border Rivers Area and in relation to the management of Border Rivers works.

IPART recommends that the requested functions of the Water Act, Water Management Act and Border Rivers Act are conferred upon State Water through the Licence. IPART is of the opinion that the requested powers are consistent with State Water's actual operational responsibilities and will ensure that State Water has the appropriate statutory power to undertake these responsibilities. The conferred powers recommended have been agreed between State Water and DWE.

Table 6.1 Costs and Benefits of Options for MoU's

Issue	Objectives	Options	Magnitude of costs		Magnitude of benefits		
			Government Administration	State Water Compliance	Wider Community	Direct Customers	Environment
▼ Is there a need to amend the terms of the Licence regarding the maintenance of MoU's? Should the requirement to maintain a MoU contain tighter provisions in order to enforce compliance and improve performance?	▼ To ensure that the MoU's are functional and achieve their objectives	Remove requirements for MoU	Low	Low	Low	Low	Low
		Maintain current Licence conditions	Low-Medium	Medium	Medium	Medium	Medium-High
		Tighten provisions for maintenance of MoU with clear delineation of responsibilities and reporting timeframes	Medium-High	Medium-High	Medium	Medium	Medium-High

## 7 Customers' Rights and Consultation (Part 4)

A key aspect of the Licence is the protection of the rights of customers who rely on the monopoly services provided by State Water. It does this by establishing minimum customer service levels that State Water is required to meet, and by requiring State Water to take the views of its customers and the community into account in its decision-making. The existing Licence establishes the need for Community Consultative Committees, Valley Based Customer Service Committees, a Customer Service Charter and Customer contracts for Fish River customers. It also requires State Water to develop a code of practice and procedure on debt management, and to consult with its Consultative Committee in a specified way to enable community involvement in issues relevant to the performance of State Water's obligations.

### Recommendation

- 8 That a representative of DECC or its nominee is included on each valley based Customer Service Committee (CSC) to represent environmental water.
- 9 That the Licence maintains the current requirements concerning the provision of financial information to CSC's
- 10 That the Licence maintains the existing provision for the maintenance of a Customer Service Charter, and includes a provision to review the Charter in light of any audit findings.
- 11 That State Water provides customers with a contact number on their bills, through which customers seeking financial assistance can contact State Water.
- 12 That State Water report to IPART on the number of requests by customers for financial assistance to pay bulk water bills, and the number of customers in receipt of financial assistance

### 7.1 Valley Based Customer Service Committees

The objective of specifying how State Water should relate to its customers addresses the problem of information asymmetry that arises between a sole provider and its customers. This helps prevent any abuses of State Water's market power provides consumers with an opportunity to obtain information on how their needs may be addressed. It is also a means by which State Water can obtain information from consumers on the issues it needs to pursue, which can help it to identify systemic and other problems. These objectives remain appropriate and relevant.

The 2006/07 Operational Audit noted that State Water experienced significant delays in providing Customer Service Committees (CSCs) with adequate financial information. Several submissions to the Issues Paper suggested that this section of the Licence should be modified to impose strict timeframes on State Water to provide sufficient information to CSCs and penalties if this information is not received. State Water's submission noted that significant resources have been devoted to improving financial reporting and provision of information.

IPART assessed the costs and benefits of amending the Licence to ensure that information is provided to CSCs more timely. This analysis is detailed in Table 7.1

IPART recommends that the current Licence requirements for the reporting and provision of financial information to CSCs are maintained. IPART considers that reporting financial information is an important aspect of public reporting within the regulatory regime and it should be maintained in the Licence. IPART understands that State Water has invested significant resources into improving its reporting of information and that previous poor compliance in this area is more a reflection of inadequate systems than a deficiency of the Licence.

The Licence already contains timeframes for reporting and there will be little benefit from making these timeframes more stringent. Furthermore if State Water contravenes its Licence conditions then IPART is already able to impose a penalty under section 17 of the State Water Act. Therefore IPART does not consider it necessary to include penalties in the Licence as proposed by submissions to the Issues Paper.

The Licence requires that State Water maintain and regularly consult with valley based Customer Service Committees (CSCs). The purpose of these committees is to enable customer involvement in issues relevant to the performance of State Water. Currently, the Licence requires that CSCs include representatives from unregulated water customers, groundwater customers, and the relevant Catchment Management Authority. Over the term of the new Licence, the environment will receive the biggest allocation of water out of all of State Waters customers. State Water currently estimates that it provides approximately 9000 GL per year to the environment. As a result, IPART recommends that a representative from DECC or its nominee is included in each CSC. This will ensure that the interests of the environment are represented on CSCs and taken into account for decisions made by the CSCs.

## 7.2 Customer Service Charter

The Customer Service Charter (Charter) exists to set out the mutual responsibilities and obligations of State Water and its customers. These responsibilities should be consistent with the requirements of the Licence, the State Water Act, the Water Management Act and the Water Act.

The response from stakeholders to the Issues Paper indicates that the current Charter is not sufficiently specific in identifying the mutual responsibilities and obligations of State Water under the Licence.

IPART assessed the costs and benefits of amending the Licence provisions for the Charter. This analysis is contained in Table 7.2. The results of this analysis lead IPART to recommend that no changes should be made to the current licence provisions. IPART views the charter as an integral component of State Water's customer relations program.

IPART considers that the Charter is a document that should be developed between State Water and its customers, not by State Water and its regulator. IPART is satisfied that the current Licence provides for this function and as a result does not recommend any significant changes to the Licence. However, IPART has updated the conditions concerning the review of the Charter to require the Charter to be reviewed in light of any findings of the auditor following the Annual Operational audit. IPART considers that this will produce a living document whereby inconsistencies are identified and rectified on an on going basis, rather than a one off review.

### **7.3 Code of Practice and Procedure on Debt Management**

The code of practice and procedure on debt management exists to provide those customers who require financial assistance with alternative payment options and support, where a customer has difficulty in paying bills. In the current Licence at clause 4.6.2(b), State Water must ensure that alternative payment options are advised on each customer's quarterly bill. IPART recommends amending this clause to require State Water to provide a point of contact, advised on bills, that customers experiencing financial difficulty can contact. This approach was supported by submissions to the Issues Paper and is strongly supported by State Water. IPART also recommends that State Water reports on the number of customers who apply for support, and those in receipt of support.

**Table 7.1 Costs and benefits of options for the provision of information to Customer Service Committees**

Issue	Objectives	Options	Magnitude of costs		Magnitude of benefits		
			Government Administration	State Water Compliance	Wider Community	Direct Customers	Environment
▼ Whether the Licence is sufficient in addressing the provision of information by State Water to CSCs or whether timeframes or penalties should be imposed.	▼ To ensure that CSCs are provided with timely, accurate information	Remove Licence conditions	Low	Low	Low	Low	Low
		Maintain current Licence requirements	Low-Medium	Medium	Medium	Medium	Medium
		Impose stringent timeframes on State Water and more frequent reporting of information including penalties for non compliance.	Medium-High	Medium-High	Medium	High	Medium

**Table 7.2 Costs and benefits of options for the Customer Service Charter**

Issue	Objectives	Options	Magnitude of costs		Magnitude of benefits		
			Government Administration	State Water Compliance	Wider Community	Direct Customers	Environment
▼ The current charter is not specific enough in setting out the mutual responsibilities and obligations of State Water with respect to the Licence. The charter is too general.	▼ To specifically define the responsibilities that should be included in the Licence and establish guidelines for review.	Remove the customer charter	Low	Low	Low	Low	Low
		Maintain current Licence provisions concerning the charter	Low-Medium	Low-Medium	Medium-High	High	Medium
		Include specific guidelines in the Licence for establishing charter and specific responsibilities that should be accounted for in the charter	Medium	Medium	Medium	Medium	Medium

## 8 Water Delivery Operations (Part 6)

Under the current Licence, State Water must operate its water management works in a manner consistent with any Operating Licences or approvals granted by the Minister for Water and must only release water from those works consistent with any relevant Water Management Plan under the Water Management Act.

Drought conditions experienced in recent years have served to highlight the value of water. Low rainfall and population growth have placed considerable pressure on existing water sources in a number of centres, forcing water supply authorities to undertake new supply augmentation and demand management initiatives.

Recommendation

13 That the Licence assign State Water the express function of meter reading

14 That the Licence direct State Water to adopt a National or State metering standard

15 That the Licence defines the responsibilities of State Water concerning water infrastructure operations.

### 8.1 Metering

State Water should have the capability for accurately measuring any water that it supplies to its customers. IPART contends that metering is a function that is closely related to the principal functions of State Water and the express function of meter reading should be included in the Licence. This would remove any ambiguity over State Water's role in metering.

At present, water licences are issued to water users by DWE on behalf of the Minister. The obligations on a user of a water meter are enforced through conditions in Works Approvals which are also set by DWE, and then audited by State Water under the Licence.

The current Works Approval conditions only require a meter to comply with the manufacturers' specifications; hence this is the only enforceable condition against which State Water can audit. There is currently no standard against which meter accuracy can be assessed. The absence of a formal standard has caused widespread problems with respect to enforcement of metering accuracy.

IPART recommends that the Licence should be amended to provide clauses that require State Water to read meters and audit compliance of these meters with a Commonwealth or State metering standard (especially for metering accuracy) that has been adopted by the NSW Government.

IPART has assessed the costs and benefits of amending the Licence conditions with respect to metering. These are shown in Table 8.1. This analysis indicates that modifying the Licence and developing a new metering standard would impose greater costs upon State Water and IPART. However, it is anticipated that resolving this issue will result in much greater benefits for State Water. State Water employs fixed and usage based water charges. Ensuring accurate metering will enable State Water to have greater accountability for its water resources bringing increased financial, environmental and community benefits. This would be achieved through less water wastage and by customers not over drawing water.

## 8.2 Water Release Responsibilities and Infrastructure Operations

There are several responsibilities concerning water releases that are currently not expressly defined within the Operating Licence. As a part of its review IPART consulted with both DWE and State Water in order to identify the respective responsibilities of each organisation with respect to the management of water releases. The definition of these responsibilities does not impose additional costs onto State Water as many of the functions were already being undertaken. The aim is to appropriately define which regulatory authority is responsible for functions undertaken.

IPART recommends the following:

- ▼ That the Licence makes State Water accountable for the management and release of allocated water to customers.
- ▼ That the Licence ensures that State Water manages water orders with a view to ensuring Customer access to water and the equitable release of water when physical supply constraints occur or are likely to occur.
- ▼ That the Operating Licence requires State Water to process intra valley temporary transfers promptly and efficiently.
- ▼ That the Operating Licence requires State Water to maintain a water allocation account for each Water Licence issued to each customer.

In discussions with State Water and DWE, IPART identified several responsibilities with respect to the management and operation of Water Infrastructure that were the responsibility of State Water, however they were not expressly recognised in the Licence.

IPART recommends that the Licence require State Water to operate its assets in accordance with any relevant Works Approval or Water Sharing Plan (WSP) issued by DWE. In addition the Licence will require State Water to:

- ▼ Ensure that releases are consistent with Works Approvals.
- ▼ Operate its assets efficiently and effectively.
- ▼ Undertake major periodic maintenance rehabilitation and replacement.
- ▼ Undertake enhancements and development projects.
- ▼ Implement flood planning and other operations instigated by the Dam Safety Committee.

The imposition of these functions formalises many of the operations that State Water already undertakes and will not result in a significant cost on State Water. The clear definition of functions exercised under the Operating Licence and Works Approvals respectively, will result in more efficient management and operation of assets resulting in reduced costs to both State Water and DWE and increased benefits for State Water, the environment and the wider community.

Table 8.1 Costs and benefits of options for Metering

Problem	Objectives	Options	Magnitude of costs		Magnitude of benefits		
			Government Administration	State Water Compliance	Wider Community	Direct Customers	Environment
▼ Compliance with the current Licence conditions relating to metering has been poor and there is uncertainty as to the roles and responsibilities of agencies with respect to metering.	▼ Ensure that State Water has explicit power to read meters and audit compliance with any approved standard.	Remove metering requirements	Low	Medium	Low	Low	Low
		Maintain current requirements	Low-Medium	Low-Medium	Medium-High	Medium-High	Medium-High
		State Water is required to read meters and audit compliance against any approved standard, especially any standard relating to accuracy.	Medium	Medium - High	High	High	High

## 9 Performance Indicators (Part 8)

Targets and indicators often act as a driver for improved operational performance. Part 9 of the current Licence outlines State Water's obligations with respect to developing and reporting against targets to improve service delivery, quality and associated impacts.

### Recommendation

16 That the Licence includes a requirement for State Water to comply with the NWI rural indicators.

17 That State Water report against the updated suite of indicators provided in Schedule 1 to the Licence.

### 9.1 Performance Indicators

The current Licence contains performance indicators that assist in monitoring, reporting and driving value for customers. IPART acknowledges the cost involved with imposing new performance indicators on State Water. IPART has analysed the costs of amending the performance indicators in State Waters Licence. This analysis is provided in Table 9.1.

While exacting performance targets can generate important environmental benefits, they may also impose substantial compliance costs that impact customers and potentially the broader community. At the same time, targets set too low may have a lower compliance cost but a higher opportunity cost.<sup>1</sup> Basing targets on careful audits and assessments of action plans helps mitigate the prospect of targets being mis-specified, improving the likelihood that costs are consistent with gains.

The importance and benefits of specifying indicators to provide continuity and consistency of information reported was supported by most submissions to the Issues Paper. The associated cost of monitoring and reporting is also widely recognised. However, a balance is needed to ensure that the scale and scope of required indicator monitoring and reporting is commensurate with State Water's monitoring capacity and the value of the information provided.

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<sup>1</sup> Opportunity cost is the loss of potential gain from the best alternative to any choice. Thus, opportunity cost is the cost of pursuing one choice instead of another.

Currently, there is a significant amount of work being undertaken to develop NWI indicators. During this transitional period IPART concludes that there is little benefit in changing the current indicators until the NWI indicators are finalised. As a result IPART has not proposed a complete overhaul of current indicators, rather, IPART in consultation with State Water has rationalised the current indicators and removed any duplication and overlap. Further, the purpose of the indicators has been reviewed to assess whether each indicator is achieving its objective efficiently and effectively. As a result IPART recommends the following amendments to the indicators in the Licence:

- ▼ Schedule 1 Part A - 1(b) Indicator amended to read *the percentage of complying water orders identified as being delivered outside of  $\pm 1$  day of the scheduled day of delivery, to be measured by customer complaints;*
- ▼ Schedule 1 Part A - 2(a) indicator amended to read - *Liaise with DWE to determine the volume of water taken in excess of access licence conditions under the Water Management Act 2000 (ML) and number of licences and licence breaches involved.*
- ▼ Schedule 1 Part A - 2(d) new indicator - *number of water supply works audited for compliance with metering conditions and the proportion of those works that comply with those conditions."*
- ▼ Schedule 1 Part A - 2(e) new indicator - *numbers of "alleged breach reports" forwarded to the Department of Water and Energy.*

**Table 9.1 Costs and benefits of options for Performance Indicators**

Problem	Objectives	Options	Magnitude of costs		Magnitude of benefits		
			Government Administration	State Water Compliance	Wider Community	Direct Customers	Environment
▼ Due to the imprecise and complex nature of the State Water's Operating Environment, it is challenging to determine performance indicators which are both meaningful and measurable.	▼ To establish meaningful and measurable indicators which can give a reasonable indication of the performance of State Water	Remove indicators from Licence	Low	Low	Low	Low	Low
		Maintain Current Indicators	Medium -Low	Medium	Medium	Low-Medium	Low-Medium
		Review the current indicators and if necessary recommend improvements to monitor performance including the incorporation of a trigger to include NWI indicators when they are finalised	Medium-High	Medium High	High	High	High

## 10 Operational Audits of the Licence

Operational Audits inform Government about State Water's compliance with its Licence. They also inform stakeholders and the community of State Water's performance in a range of areas. Section 12 of the current Licence requires IPART to undertake a comprehensive audit of State Water's compliance with its Licence once every two years.

Recommendation

18 That the Licence specify an annual audit regime

19 That the Licence make allowance for a risk based audit as determined by IPART

### 10.1 Audit Frequency and Scope

The current Licence sets out the frequency, scope and role of the Operational Audit. Audits are currently required biennially. Areas that are required to be investigated and reported by IPART are outlined in section 12 of the Licence. This includes compliance by State Water with its obligations in respect to Memoranda of Understanding, Customer and Community Engagement, Complaint and Dispute Handling, Asset Management, Water Delivery, the Environment, Performance Indicators and Pricing.

IPART recommends that the Licence applies an annual auditing regime to State Water. The primary reason for recommending annual audits, as opposed to maintaining biennial audits is to ensure that any faults within State Water's operations are identified and can be acted upon promptly. Currently, this is only applicable every two years. IPART considers that the application of an annual audit will improve the performance of State Water. As a part of its review IPART assessed the costs and benefits of applying an annual audit regime. IPART concluded that an annual regime would have far greater benefits than a biennial regime. The results of IPART's analysis are provided in Table 10.1.

Audits are an important part in the oversight and review of the Licence. They act as a mechanism for determining State Water's compliance with its Licence requirements and subsequent information that is communicated to stakeholders.

Risk based approaches to auditing have gained support over recent years and are generally recognised as an efficient and effective approach to managing performance.

The Licences of Sydney Water Corporation, Hunter Water Corporation and Sydney Catchment Authority have all adopted a risk based audit approach.

Adopting a less prescriptive approach to an audit can run the risk of negatively impacting on performance, if triggers for scope and frequency are not well specified. However, this risk can be minimised due to regulatory supervision by other agencies such as DWE and DECC, in addition to specific reporting requirements on various aspects of State Water's performance required by the Licence.

Stakeholder Submissions to the Issues Paper were overwhelmingly in support of the adoption of a risk based approach to auditing. The main benefit of adopting a risk based approach is that it is flexible and low cost, although it naturally entails a certain level of risk because not all of the clauses undergo a comprehensive review.

State Water is a very young corporation (Corporatised in 2004), and at this stage it has only undergone one audit since the commencement of its Licence. As a result even though there is strong support for State Water to adopt a risk based regime, IPART is not convinced that State Water's systems have the maturity or robustness to warrant a risk based approach to auditing. The sole audit of State Water was undertaken in September 2006 and identified several gaps and inefficiencies in State Water's systems. State Water has confirmed its agreement with IPART that it is not yet ready to apply a risk based process. However, State Water claims that it aspires to develop and maintain its systems to a level that will enable it to incorporate the risk based regime in the future.

IPART recommends the implementation of an annual auditing regime rather than biennial and recommends that the Licence provide for risk based auditing regime so that it can be applied by IPART once IPART is satisfied that State Water is ready.

Table 10.1 Costs and benefits of options for Operational Audits

Problem	Objectives	Options	Magnitude of costs		Magnitude of benefits		
			Government Administration	State Water Compliance	Wider Community	Direct Customers	Environment
▼ Whether the current audit regime should be aligned with that of other water utilities and incorporate risk based audits.	▼ To implement an efficient and cost effective auditing regime.	Annual Comprehensive Audit	Medium -High	Medium-High	High	High	High
		Biennial Comprehensive audit	Low-Medium	Low-Medium	Medium	Medium	Medium
		Annual Risk based audit	Low-Medium	Low-Medium	Low-Medium	Low-Medium	Low-Medium

## 11 Recommendations

IPART has made the following recommendations for this review

- 1 That the Licence is renewed for a term of five years 12
- 2 That the Licence includes a provision for IPART to undertake a mid term review if there is a major event or change in regulation that may significantly impact the Operating Licence of State Water. 12
- 3 That the Licence maintains the current requirements concerning the agreement and maintenance of Memoranda of Understanding. 15
- 4 That the Licence confers upon State Water, on a non-exclusive basis, the revised functions of the *Water Management Act 2000*, set out in Table 6.2 of this report. 15
- 5 That the Licence confer upon State Water on a non-exclusive basis the revised functions of the *Water Act 1912*, set out on page 18 of this report 15
- 6 That the Licence confers upon State Water, on a non-exclusive basis, the additional functions of the *Water Act 1912* and *Water Management Act 2000*, set out on pages 19-20 of this report. 15
- 7 That the Licence confers upon State Water on a non-exclusive basis certain functions of the *New South Wales –Queensland Border Rivers Act 1947* as set out in page 20 of this report. 15
- 8 That a representative of DECC or its nominee is included on each valley based Customer Service Committee (CSC) to represent environmental water. 23
- 9 That the Licence maintains the current requirements concerning the provision of financial information to CSC's 23
- 10 That the Licence maintains the existing provision for the maintenance of a Customer Service Charter, and includes a provision to review the Charter in light of any audit findings. 23
- 11 That State Water provides customers with a contact number on their bills, through which customers seeking financial assistance can contact State Water. 23
- 12 That State Water report to IPART on the number of requests by customers for financial assistance to pay bulk water bills, and the number of customers in receipt of financial assistance 23

13 That the Licence assign State Water the express function of meter reading	27
14 That the Licence direct State Water to adopt a National or State metering standard	27
15 That the Licence defines the responsibilities of State Water concerning water infrastructure operations.	27
16 That the Licence includes a requirement for State Water to comply with the NWI rural indicators.	31
17 That State Water report against the updated suite of indicators provided in Schedule 1 to the Licence.	31
18 That the Licence specify an annual audit regime	34
19 That the Licence make allowance for a risk based audit as determined by IPART	34



**Appendices**



IPART received submissions from the following individuals and groups to the Issues Paper released by IPART for this review.

**Table A.1 List of Stakeholders who made submissions to this review**

<b>Organisation/Individual</b>
State Water Corporation
The Department of Water and Energy
The Department of Environment and Climate Change
The Department of Primary Industries
The Nature Conservation Council of NSW
NSW Irrigators Council
Murrumbidgee Private Irrigators Inc
Murrumbidgee Irrigation
Gwydir Valley Irrigators
Lachlan Valley Water Inc