

Greater Sydney Customer Advisory Group - Minutes of Meeting



Location: Video Conference

Date: 10 December 2020

Time: 9.00am

Present: Peter Griffiths (Chair), Gary Wallace, Marina Hollands, Daniel Buckens, Paul Rasmussen, Lachlan Hammersley, Michelle Cavallaro, Trevor Sultana (observer), Jonathan Dickson, Peter Littlejohns, Emma Oates, Enrico Proietti and Toni Hayes.

The following attended for specific agenda items: B Mayhew (3.1), C Braddock (3.2), D Swift-Hoadley (4.1), D Stockler (4.4/4.5), B Waters, D Turner, K Drinkwater, S Ronan, A Collaros, T Gilbert, K Reynolds (4.5)

Meeting Opened: 9.00am.

1. Introduction:

1.1 Welcome and introductions

1.2 Apologies: Nil.

1.3 Declaration of Interest(s)

- Declarations of interest were sought from attendees in relation to the meeting's agenda items. No interests were declared. Items included in the agenda are not considered confidential unless declared as such.

1.4 Minutes of Previous Meeting, 5 March 2020 and 9 July 2020:

- Resolved the minutes of meeting held on 5 March 2020 be confirmed as a correct record. Taken as read.

*P Rasmussen/M Hollands
carried*

- Resolved the minutes of meeting held on 9 July 2020 be confirmed as a correct record. Taken as read.

*P Rasmussen/M Hollands
carried*

1.5 Actions arising from minutes

- See action sheet attached.

1.6 Election of Chairperson

- Peter Griffiths was appointed to the position of Chairperson. No other nominations received.

2. Water Delivery:

2.1 Water Delivery and Operations Update (P Littlejohns)

- WaterNSW presented an Operations update for the Greater Sydney and Fish River valleys including highlights, dam storage, water quality, demand, rainfall and storage forecast.
- Storage levels for Greater Sydney remain high, with total system storage currently 93.4%. Water restrictions were removed on 1 December. The high storage levels combined with the

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La Nina event in progress increasing the chances of above average rainfall across the summer has increased concerns for flooding in the Hawkesbury-Nepean.

- In contrast, the Fish River Water Scheme remains in drought. For the first time in 4 years the Fish River Water Scheme has had a moderate increase in storage from the Winter/Spring inflows. The system is on Level 2 Restrictions, with the storage at just under 33%.
- The Sydney Desalination Plant continues to produce water at approximately 50ML/day.
- A major incident was declared in the Fish River supply to the Lithgow area due to elevated customer complaints about discoloured water. The issue was due to elevated manganese in raw water after prolonged drought, which was accumulating in the distribution system and was subsequently dislodged after a pipeline break was repaired and recharged. Carted water was provided to some residents during the incident and WaterNSW is working to develop additional treatment strategies to deal with elevated manganese. Discussed.
- Oberon Council advised that it has received criticism over the incident and stated that Council and WaterNSW should be working together to ensure the same message is getting out to the community, indicating WaterNSW should be more proactive with announcements and education.

Action GS2012.01: WaterNSW to contact Gary Wallace at Oberon Council to discuss communications going forward.

Responsibility: P Littlejohns

Action GS2012.02: WaterNSW to provide an overview of the incident in the Fish River system (succinct version of event and how it happened) to Oberon Council to share with Councillors.

Responsibility: P Littlejohns

- WaterNSW is looking at options to oxygenate the dam to reduce stratification, which may treat the source. This won't mean we will avoid a flush but we are working to improve the system.
- Sudden rise in water levels in the Warragamba system discussed. Customers sought prior notification if this is going to happen, with concerns of damage to pumps downstream if landholders are unaware of large releases. WaterNSW advised that there is an Early Warning Network (EWN) for the Warragamba system that the public can sign up for to receive system notifications <https://www.watarnsw.com.au/supply/ewn>. WaterNSW noted that Warragamba is a storage dam, not a flood mitigation dam. Any rain event that will fill the dam would be a major rain event and a spill will not catch us by surprise.

2. Assets:

2.1 Asset Maintenance update (B Mayhew)

- Asset performance and maintenance in the Greater Sydney and Fish River valleys presented and discussed, including routine preventative and corrective maintenance delivery.

2.2 Rural Pricing Submission & Capital Plan update: FY22-25 (C Braddock)

- WaterNSW presented an overview of the rural pricing submission capital plan FY22-25 for the Greater Sydney and Fish River valleys, including key dates, expenditure by program (comparison between 1-year and 4-year determinations), water infrastructure renewal projects and dam safety projects.
- Customers noted there are no projects around water quality. WaterNSW advised we are currently looking at water quality issues (including manganese) which will potentially be done in the current year. We are progressing as a priority and will accommodate through the deferral of some projected works towards the end of the period.

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3. Presentations/Consultation:

3.1 Water Reform Implementation Plan (WRIP) Update (D Swift-Hoadley)

Metering update:

- WaterNSW provided an update on metering reforms including next steps, DQPs, telemetry, recording and reporting, rollout dates, conditions that apply now, rules and standards, path to compliance and government-owned meters.
- All surface water pumps 500mm and above must be compliant by 1 December 2020 (for whole of NSW). Customers are encouraged to check their work approval for pump size. Irrigation Australia Limited (IAL) has a list of certified meter installers on its website.
- Conditions that apply to all works from 1 April 2019 presented, including requirements for faulty metering equipment, new or replacement meters and inactive works. Meters must be accurate, tamper proof and auditable.
- The NSW Government listened to feedback from water users and decided that Government (via WaterNSW) will retain ownership of existing government-owned meters. Affected customers will be contacted ahead of rollout dates with more information and will ensure all valid sites are compliant.

3.2 Major Projects update (J Dickson)

Critical State Significant Infrastructure (CSSI) projects

- WaterNSW provided an update on the three major projects that have been identified as Critical State Significant Infrastructure (CSSI) projects in NSW (Wyangala Dam raising, Dungowan Dam and Pipeline and Mole River Dam).
- Webinars with affected stakeholders and interested members of the public are being held regularly in each valley.

3.3 Engagement Landscape (J Dickson)

DPIE – Water Markets Trading

- The Department (DPIE) will soon announce a public engagement on water trading transparency, in the form of an online survey and webinars (hosted by DPIE and WaterNSW), which is a follow on to previous discussions on transparency. They will be seeking input from water users, specifically those who have traded in the last 12-24 months.
- The NSW Government is encouraging customers and the community to have their say on what information about water ownership and water trading is made public in NSW. They are seeking feedback on current water market information platforms (water information dashboards and WaterInsights) to better understand what information should be shared and how to make the platforms easier to use.
- The public exhibition will run from 30 November to 1 February, with webinars to be held 3 December 2020 and 20 January 2021.
- See <https://www.industry.nsw.gov.au/water/licensing-trade/trade/have-your-say> for more information.

WaterNSW Pricing – Customer Conversations

- After IPART releases its draft report in March 2021, WaterNSW proposes to broaden our engagement for our next pricing proposal. CAG membership will form the basis of those engaged, with the addition of a wider community of customers and water users in order to ensure that what we propose in terms of investment reflects our customers' views.

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- Engagement will commence in three stages, with WaterNSW producing a 'conversation kit' for small groups to talk and respond online with their summary thoughts. Zoom meetings will then follow on emerging and common themes discussed. We hope this will contribute to a more informed pricing discussion leading to a customer supported determination.

3.4 Regulatory Economics – Rural Pricing Determination Engagement (J Dickson)

Rural Determination:

- As presented previously, with the impact of drought and bushfires in many valleys, WaterNSW proposed a shorter-term pricing determination to lock in 2021 pricing for customers. The shorter determination was broadly supported by CAGs across all valleys. However, some medium-large customers responded to IPART's issues paper indicating a 4-year term was preferred for certainty of pricing (these submissions can be found on IPART's website). IPART has since confirmed they require a 4-year determination, with engagement to be complete by March 2021 and new pricing to take effect 1 July 2021.
- WaterNSW provided an overview of what was included/considered in the one-year pricing proposal presented to IPART. What was not included in the original but has been included in a supplementary submission to IPART on 30 November, was meter reform costs (meeting upgrade costs, amended meter service charge, DAS and collection costs, telemetry management costs). These are additional requirements placed on WaterNSW resulting from the metering reforms.
- Due to the short timeframe remaining to consult on a 4-year determination (by March 2021), WaterNSW is proposing to hold intensive engagement with CAGs on metering and reform costs and opex and capex. Customers also requested drought contingency measures.
- Feedback was sought from members for an online meeting prior to Australia Day (90 mins); and two meetings in February. Customer preference is to hold 2 meetings in February.
- At the public hearing, it was clear that customers wanted a 4-year term, more information on fixed:variable tariff split, opex performance vs allowance, capex, metering and reform costs, cost share change impacts and pass-through charges.
- WaterNSW presented a breakdown of bill impact for small customers vs large customers in the Fish River valley (not including Energy Australia) as well as a summary of the one-year pricing proposal compared to the two-four year pricing proposal. The final increase and what will be passed through to customers will be determined by IPART. WaterNSW is keen to engage with customers on the two-four year proposal prior to making the submission to IPART in March 2021.
- Proposed changes to **WAMC** 2016 to 2021-24 for the three departments (WaterNSW, DPIE and NRAR) presented. IPART will decide whether prices are prudent and efficient and will determine what is passed through to customers. The total increase for WAMC charges is 37% (noting we will request a 5% cap increase for customers – refer to agenda item 3.5).
- WaterNSW highlighted that influencing the IPART cost shares will have the most impact on customer prices (as previously discussed this has increased from 50:50 to 80:20) and strongly encouraged customers to make submissions to IPART on this.

3.5 Regulatory Economics – WAMC Pricing Determination Engagement (DPIE/NRAR)

Department of Planning, Industry & Environment (DPIE) (B Waters)

- DPIE presented a review of proposed WAMC water management prices to apply from 1 July 2021. The proposal reflects the changes to water management and aims to mitigate impacts on customers, including capped price increases to help manage bill impacts on water users and no change to the regulatory framework that underpins prices. There was strong

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recognition from Government that now is not the time to impose increases to water users off the back of drought.

- There is no change proposed to IPART's Impactor Pays principle to cost shares (ie those who create the need for a service should pay for it). IPART believes this principle leads to more efficient, equitable and transparent prices.
- Capped pricing means the government pays more and a bigger share. The proposal limits price increase to 5%/year (plus inflation) to protect users from bill shock. *IPART determined WAMC expenditure vs Proposed WAMC expenditure graph presented.*
- Currently under WAMC, there are three agencies under a single banner (DPIE/NRAR/WaterNSW). The proposal is for a single determination and a single set of water management prices where agencies will work collaboratively to deliver efficient water management services. We are aware there is a risk of duplication, however there is a review currently underway to ensure this doesn't happen.
- During the 2016-20 determination DPIE expanded its water management functions to meet expectations, invested more to meet existing commitments (FPH licensing framework, WSPs, WRPs) and consulted extensively with users on each reform and program. *IPART Determined vs Actual DPIE OPEX in the 2016 regulatory period presented.*
- In the next regulatory period, DPIE will continue to deliver expanded service levels, including full implementation of: WSPs, 12 Regional Water Strategies by 2023; new metering regulations by 2024; improved management of floodplain harvesting; and improved management of environmental water. *IPART Determined OPEX/Actual DPIE Opex 2016 vs Proposed DPIE Opex 2021 presented.*

Natural Resources Access Regulator (S Ronan)

- NRAR provided background on the establishment of NRAR and the need for water compliance and enforcement in NSW (*Matthews and Ombudsman Reports 2017*). All costs associated with the establishment of NRAR were borne by government.
- Cost drivers since the 2016 WAMC determination include independent investigations into water compliance, additional obligations under the *NRAR Act*, increased workload, increased size of regulated community, reforms (eg metering) and low knowledge of rules.
- Statistics on compliance activity since the establishment of NRAR presented, illustrating increased workload and activity. This increase has largely been managed with the same resource level.
- NRAR WAMC compliance costs step change presented. NRAR is seeking to reduce costs through alternative funding measures as well as licence fees and charges as another source.
- NRAR is committed to closing the gap by finding efficiencies, including increased analytics, intelligence and use of technology, investing in staff capability and pushing voluntary compliance (*Forecast NRAR Compliance Workload vs Compliance Resources presented*).
- NRAR's focus is on compliance, not prosecution, supported by education, audits and monitoring. Benefits to stakeholders includes protecting irrigated agricultural productions in NSW, protecting water property rights in NSW and restoring social licence.
- NRAR uses analytics to identify areas where there is more risk or more clusters of potential non-compliance so can focus resources there however non-compliance (and accidental non-compliance) is being found across the state, there is not one area that is better or worse than other areas.

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- A strategic risk-based approach is used to identify high risk areas to begin with. But for all others, reports are individually triaged as they come in. High risk will be investigated prior to low risk and wilful non-compliance is taken into account. Intelligence comes from alleged breaches, ABNs, the water accounting system. We are also getting very good at satellite imagery (can see when private dams are filling or the extent of irrigated areas and if reasonable).
- Discussed staffing levels and workload. Customers questioned if there is enough staff on the ground or if this is constantly evolving, considering the increase of 239% to costs. NRAR is not proposing to increase staffing levels in the next determination, however efficiency is expected to increase through data use and technology. The \$4.5M allocated by IPART in 2016 was inadequate and NRAR has identified a step change is required.
- In relation to breaches vs prosecution, NRAR will prosecute the most serious and deliberate breaches. Legal advice is sought from independent barristers and the Board determines whether to proceed to prosecution.

4. Business Papers:

- Noted and taken as read.

5. General Business:

5.1 CAG Charter (J Dickson)

- In a recent audit, WaterNSW was asked to amend wording in CAG Charter around the process for amending the CAG Charter (essentially how proposed amendments can happen). Proposed changes included with business papers.
- The Greater Sydney CAG supports the proposed amendments to the Customer Advisory Groups Charter as tabled.

Meeting Review and Close

Next Meeting: Thursday 8 April 2021

Meeting closed: 12.50pm

Greater Sydney Customer Advisory Group – Actions – 10 December 2020

Carried forward actions

Action No.	Action	Responsibility	Status
GS2007.01	WaterNSW to find out if expenditure on bushfire recovery is absorbed within current budget or if there will be a cost apportioned to customers.	B Mayhew	Complete. Most of the bushfire recovery expenditure, including project management costs, is claimable under our insurance cover. There may be a small residual not covered by insurance and if so, that will be absorbed in existing budgets.
GS2007.02	WaterNSW to find provide a timeframe for work to be completed at Tunnel Break and provide to Lithgow Council out of session.	B Mayhew	Complete. Our Regional Manager Central has been communicating with Council's staff about this repair
GS2007.03	WaterNSW to provide more information on the \$4.4M discrepancy in corrective and routine maintenance in the Opex report.	B Mayhew	The process is the business makes a submission to IPART on proposed expenditure, then IPART tells us what we can spend. Then each business unit within gets a budget. OPEX for maintenance, actual expenditure has been under budget. The difference in reports is due to accounting treatments – in particular the way overheads are allocated to the IPART activity codes in our finance system; some account treatments in the IPART submission are disconnected from the OPEX budget.
GS2007.04	WaterNSW to provide information out of session on where the work at Warragamba Dam is up to.	J Dickson	Complete. This project is being undertaken by Infrastructure NSW.
GS2007.05	WaterNSW to provide information out of session on whether there is any planned strategic development work on weirs in the Hawkesbury/Nepean.	A Fisher	Complete. Information sent to customers out of session (refer to business papers 10 December 2020).
GS2007.06	WaterNSW to clarify whether riparian and BLR are required to meet the metering requirements.	J Dickson	Complete. Per the NSW Non-Urban Water Metering Policy: Works taking water under basic landholder rights: A work used to take water pursuant to a basic landholder right will not require a meter. However, if a work is used to take both basic landholder rights water and licensed water, a meter will be

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required if the work meets one of the metering thresholds previously stated. Recording and reporting requirements will also apply (see Part 5).

New actions

Action No.	Action	Responsibility	Status
GS2012.01	WaterNSW to contact Gary Wallace at Oberon Council to discuss communications going forward.	P Littlejohns	
GS2012.02	WaterNSW to provide an overview of the incident in the Fish River system (succinct version of event and how it happened) to Oberon Council to share with Councillors.	P Littlejohns	

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