

Urban Water Regulation Review March 2014



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Centroc's Mission is to be recognised as the lead organisation advocating on agreed regional positions and priorities for Central NSW whilst providing a forum for facilitating regional co-operation and sharing of knowledge, expertise and resources; effectively nurturing sustainable investment and infrastructure development.

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Chairman: Cr Ken Keith, Mayor, Parkes Shire Council

28 March 2014

Reference: kk:vp 031420
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Urban Water Regulation Review
Department of Finance and Services
McKell Building
2-24 Rawson Place
Sydney NSW 2001

urbanwaterreview@finance.nsw.gov.au

Re: Urban Water Regulation Review

I write to you on behalf of the Centroc Water Utility Alliances with regard to the Metropolitan Water Directorate's joint review of the Water Industry Competition (WIC) Act and regulatory arrangements for water recycling under the Local Government (LG) Act.

Thank you for the opportunity to provide comment.

The Central NSW Regional Organisation of Council's (Centroc) Water Utilities Alliance (CWUA) is a voluntary collaborative Alliance between fifteen Local Government Authorities in the Central NSW region including the Local Government Areas of Bathurst, Blayney, Boorowa, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Oberon, Orange, Parkes, Upper Lachlan, Weddin, Young and Central Tablelands Water. It represents a population of around 236,000 and covers an area of more than 70,000 square kilometres.



The need for the region to work co-operatively was identified in the national award winning Centroc Water Security Study 2010. Adapting the successful Lower Macquarie Water Utilities Alliance (LMWUA) model, Centroc Councils have planned for and resourced a growing program of regional support activities.

The aim of the CWUA is for Local Government to be recognised as national leaders in the delivery of secure and quality water supplies and sewerage services to grow Central NSW to 2059 and beyond. The key objectives of the CWUA include to:

1. deliver cost savings and other efficiencies;
2. grow staff skills and ensure workforce are adequately trained for compliance based service delivery;

3. support members in assuring sustainable workforce;
4. promote Local Government as the agency of choice delivering Local Water Utilities management in regional NSW and further afield;
5. advise the Centroc Board regarding Local Water Utilities Management;
6. deliver full compliance with Best Practice requirements;
7. implement Regional Best Practice strategies;
8. support Councils as they manage their Local Water Utilities assets; and
9. promote the CWUA as an example of Councils working collaboratively.

This submission is further to comments provided in a joint submission by the Centroc and Lower Macquarie Water Utility Alliances to this review in February 2013.

The CWUA membership supports the submission to this review made by the Water Directorate with member Councils consulted in the drafting of this submission.

Alliance members agree with the Water Directorate position that there needs to be reform of the regulation of recycling as the current regulatory arrangements are inconsistent in application, create confusion regarding roles and responsibilities, and limit the ability of local council owned water utilities to deliver the best outcomes for the community.

Last Resort Arrangements

The CWUA members are particularly concerned about member's ability to meet the last resort obligations and the risks associated with being an Owner of Last Resort (OoLR) including cost recovery and environmental and public health risks.

The Alliance supports the Water Directorate's position with respect to OoLR specifically concerns regarding the skills base and capacity of Local Government owned Local Water Utilities in regional areas to act as the OoLR and the liabilities that this places on the LWU under the Protection of the Environment Operations Act from both a health risk and financial perspective.

As highlighted in the Water Directorates submission, most Councils actively support development within their communities and provide water and sewerage services where financially viable. The majority particularly in regional areas are in no position to meet the costs that could arise from having to upgrade a scheme under OoLR provisions where it does not meet Environment Protection Licence requirements.

Preventing an OoLR or OoLR Event

In terms of the recommendation for a scheme owner to take out insurance against an OoLR or RoLR (Retailer of Last Resort) event, Alliance members suggest that it would make more sense for the consent authority to include specifications in the consent that ensure the system is compatible with the potential LoLR's system which should obviate most of the problems.

It is agreed that the consent authority should look at the specifications, but firstly if it is a sewer scheme, then IPART is the consent authority whilst for water schemes Councils/LWUs are the consent authority (this being a situation which needs resolving in itself). Secondly, is it known how prescriptive the consent authority (eg Council) can be in aligning any proposals to the OoLR infrastructure? Also, if IPART becomes the sewer and water scheme consent authority, what will they be able to do/choose to do?

The CWUA is of the view that there are many issues around Retailer of Last Resort (RoLR) and OoLR which deserve more thought and advice back from the Metropolitan Water Directorate once the current round of submissions have been considered with a further round of consultation then.

Use of Suitably Treated Recycled Water for High Risk Uses

The CWUA agrees with the Water Directorate that more clarification is needed in the case that an entity is undertaking high risk recycled water reuse using water that does not require further treatment (e.g. open access irrigation of a golf course) using treated recycled water provided by a third party (e.g LWU) that a separate WIC Act approval is not required for the irrigation component.

Potentially any system that meets any of the triggers will be required to get a WIC licence. This could mean that golf courses or industrial users who use greater than 750kL/day or further treat their effluent may need to get a WIC licence even though the Council has section 60 for the scheme.

In summary the CWUA agrees with the recommendations made by the Water Directorate, (particularly those relating to OoLR and RoLR) as follows:

- the template for assessing scheme viability includes a component ensuring sufficient funds for capital renewal from the scheme planning stage.
- the auditing scope for operational approval be expanded to verify that the projected life cycle of materials and equipment “as constructed” be in accordance with the asset renewal program in the submitted financial model which has formed the basis of design approval.
- scheme owners are required to maintain insurance sufficient to cover a RoLR/OoLR event. This insurance should cover any works required to ensure a scheme is meeting its EPL obligations.
- the notes to the Last Resort section of the Act indicate that for developments which do not require a WIC Act licence the consent authority is under no obligation to offer “last resort” provisions.
- high risk end uses of stormwater by Local Water Utilities are regulated under the Local Government Act (or the Act under which their other water activities are regulated).
- that Council as the planning authority is able to charge a fee for the costs associated with development and maintaining systems to manage information for s149 certificate.
- all WIC Act scheme planning approvals are either Part 4 or Part 5.

The CWUA supports:

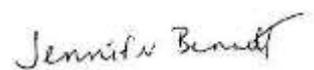
- the proposed generic requirements that the entity will need to maintain insurance.
- LWUs remaining exempt from licensing and scheme approvals
- the restriction that prevents retailers supplying to resident and small commercial customers without being associated with a WIC scheme
- Recommendation 3 for the inclusion of an objects clause within the Act.

We thank you for the opportunity to make further comment and emphasise our support for:

- the removal of regulatory duplication and inconsistencies across the recycling sector;
- a flexible regulatory framework with both deemed to comply with outcome based provisions; and
- the retention by Local Water Utilities (LWU) of power to order connection to the water supply or sewerage network.

Please contact our Water Utilities Alliance Program Manager Ms Meredith Macpherson on 0427 451 085 or via email meredith.macpherson@centroc.com.au if you wish to discuss this further.

Yours sincerely

A handwritten signature in cursive script that reads "Jennifer Bennett".

Ms Jennifer Bennett
Executive Officer
Central NSW Councils (Centroc)

