

Appendix B: Jurisdictional summaries

B1 Australian Capital Territory

B1.1 Introduction

The ACT Government's Environment and Planning Directorate has several roles in water management within the ACT. It manages strategic water policy, including local implementation of national water reform, and national issues relating to water access, pricing, and trading. The directorate also regulates the ACT's water resources and monitors and reports on water quality in the Territory.

Reporting and compliance obligations for the ACT water sector are imposed by national legislation including the Australian Government *Water Act 2007*, the *Corporations Act 2001* and the *Privacy Act 1988*, and ACT legislation including the *Independent Competition and Regulatory Commission Act 1997*, the *Territory-Owned Corporations Act 1990*, the *Work Safety Act 2008*, the *Utilities Act 2000*, the *Water Resources Act 2007*, the *Environment Protection Act 1997*, the *Water and Sewerage Act 2000*, and the *Public Health Act 1997*.

The Independent Competition and Regulatory Commission determines price directions for water utilities and regulates access agreements. The *Utilities Act 2000* provides for the commission to issue licences and determine industry codes. A new price direction incorporating biennial reviews was issued in June 2013 for the next price path period up to 30 June 2019 (a 6-year period), with a price path set for 2013–14 and 2014–15, and with major biennial reviews to take place in 2014–15 and 2016–17. Prices for water and sewerage services are to be increased in line with the consumer price index.

In September 2013, ACTEW Corporation Ltd submitted an application for a review by an industry panel of the price direction for regulated water and sewerage services (1 July 2013 – 30 June 2019) set by the Independent Competition and Regulatory Commission (ICRC). An industry panel under the *Independent Competition and Regulatory Commission Act 1997* is currently examining the price direction that had been determined by the Independent Competition and Regulatory Commission.

Among other functions, the *Utilities Act 2000* provides for the Essential Services Consumer Council.

B1.2 Water utilities in the ACT

ACTEW Corporation Limited, which was established as a corporation in 1995, is owned by the ACT Government and has two subsidiary companies, ACTEW Retail Limited and ACTEW Distribution Limited, which are ACTEW's partnership companies in ActewAGL. ACTEW owns and manages the water and sewerage business assets and is a 50% owner of ActewAGL, a joint venture with AGL Energy Limited and Singapore Power.

In late 2011, the ACTEW board approved the reintegration of the water and sewerage business into ACTEW. This change came into effect from 1 July 2012, when ACTEW resumed the management, operations, and maintenance of the ACT's water and sewerage assets and business. This was previously undertaken by ActewAGL on behalf of ACTEW. The services are provided under the business name ACTEW Water. The change was carried out so as to give ACTEW the opportunity to transform the business in a way that more closely aligns with the objectives of ACTEW Corporation. The ACTEW organisation grew from 38 personnel to almost 400.

ACTEW Water also released its *Statement of corporate intent* for 2013–14 to 2016–17.

On 31 October 2014, the Board of ACTEW Water announced a change in name for the water utility from ACTEW Water to Icon Water. The new branding of the utility and also the corporate name is to come into effect in early 2015.

The ACT Auditor-General is ACTEW's auditor. Internal audit services are provided by private firms. ACTEW reports regularly to the ACT Government. In April 2014, the ACT Auditor-General concluded a performance audit that examined the governance and administrative arrangements for the ICRC review of water and sewerage prices in the ACT.

Strategic planning for the sewage treatment plants culminated in the release of the *Lower Molonglo Water Quality Control Centre Strategic Plan*.

In 2013–14, the ACT received an amount equivalent to its average annual rainfall (616 mm), marked by good rainfall in summer and autumn. Water consumption remained constant to levels of recent years.

B1.3 Operation of water utilities

ACT Health regulates water quality under the *Public Health Act 1997*, in accordance with the *Australian drinking water guidelines 2004*. Testing of the quality of water was undertaken in accordance with the *Australian drinking water guidelines*. ACTEW Water had 100% compliance with the Drinking Water Utility Licence and the Public Health (Drinking Water) Code of Practice (2007) in 2013–14. ACTEW Water also published its *Annual drinking water quality report 2012–13* in accordance with the code in October 2013.

ACTEW also provides water services to Queanbeyan City Council under the updated Queanbeyan Water Supply Agreement 2008.

The construction of the Enlarged Cotter Dam was completed in August 2013. After commissioning the Murrumbidgee–Googong Pipeline (M2G) in August 2012, work has continued to incorporate the operations and maintenance processes of the pipeline into standard ACTEW Water operating practices. This included updating the *Pipeline Management Plan* for the M2G after significant amendments to the New South Wales Pipeline Regulations and the relevant Australian Standard. Upgrading works commenced on the Googong Water Treatment Plant for a combined carbon and fluoride dosing facility.

B1.4 Performance reporting

ACTEW's commercial and business objectives, activities and priorities, as agreed by voting shareholders, are detailed in its annual Statement of Corporate Intent. The ACTEW Corporation *Annual Report 2013–14* was provided to the ACT Government in September 2014. Quarterly reports of progress on the priorities outlined in the statement and financial and operational matters, as well as reports and briefings on key and emerging issues, were provided to the voting shareholders during the year.

B2 New South Wales

B2.1 Introduction

In New South Wales (NSW), urban water supply and sewerage services are provided by three state-owned metropolitan water utilities and 105 regional local water utilities (LWUs).

Various regulatory agencies have responsibility for the establishment and operation of the water utilities. The Independent Pricing and Regulatory Tribunal (IPART) is the licence-compliance regulator for the three major metropolitan water utilities in NSW: Sydney Water, Sydney Catchment Authority (SCA), and Hunter Water. IPART also determines maximum prices that Gosford City Council, Wyong Shire Council, and Essential Energy can charge their customers for the provision of bulk water, water, and sewerage services.

The NSW Office of Water (NOW) manages the State Government's Country Towns Water Supply and Sewerage Program, oversees and monitors utility performance, and is the primary regulator for the 105 regional LWUs in New South Wales, which serve a total urban population of 1.82 million (with coverage of 98.0% for water supply and 96.1% for sewerage). The infrastructure current replacement cost is almost \$28 billion, and annual revenue is \$1.36 billion.

A number of other agencies, including NSW Health, the Office of Environment and Heritage, and the Dam Safety Committee, are each responsible for aspects of the regulation of the New South Wales water utilities.

The State's water utilities have obligations under a number of Australian and New South Wales laws, including the Australian Government's *Corporations Act 2001*, the *Privacy Act 1988*, and the *Water Management Act 2000*, and the following NSW legislation: *Water Act 1912*, *Protection of the Environment Operations Act 1997*, *Independent Pricing and Regulatory Tribunal Act 1992*, *Environmental Planning and Assessment Act 1979*, *State Owned Corporations Act 1989*, *Dams Safety Act 1978*, *Local Government Act 1993*, the *Fisheries Management Act 1994*, *Public Health Act 2010*, *Fluoridation of Public Water Supplies Act 1957*, *Work Health and Safety Act 2011*, *Public Finance and Audit Act 1983*, the *Water Industry Competition Act 2006*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, and the *Sydney Water Catchment Management Act 1998*.

B2.2 Establishment of water utilities

Sydney Water, SCA, and Hunter Water are created by and derive their responsibilities and areas of operations from their respective Acts (the *Sydney Water Act 1994*, the *Sydney Water Catchment Management Act 1998*, and the *Hunter Water Act 1991*).

The 105 regional urban LWUs derive their responsibilities from and operate mainly under the *Local Government Act 1993*. Five LWUs (Gosford, Wyong, Essential Energy, Fish River, and Cobar Water Board) operate as water supply authorities under the *Water Management Act 2000*.

B2.3 Operation of water utilities

The regulatory oversight of water utilities in New South Wales is shared between different agencies.

IPART regulates operating licences that have been issued to Sydney Water (under section 12 of the *Sydney Water Act 1994*), Hunter Water (under Part 5 of the *Hunter Water Act 1991*) and the SCA (under Part 4 of the *Sydney Water Catchment Management Act 1998*). The operating licences include obligations relating to water quality, asset management, water quantity, environmental/catchment management, compliance, and performance reporting.

IPART conducts major operating audits each year, which identify any areas of non-compliance and make recommendations to improve performance. It also undertakes end-of-term reviews of operating licences and makes recommendations to the relevant minister on the terms for renewal of the licences.

The 105 LWUs are primarily regulated by NOW under the NSW Government's comprehensive Best-Practice Management of Water Supply and Sewerage Framework (www.water.nsw.gov.au). The framework is the key driver for the reform of planning, management, pricing, and continuing performance improvement of the LWUs. Eligibility for Government financial assistance towards the capital cost of backlog infrastructure (as at 1996) and for dividend payments to councils' general revenue is conditional on the implementation of the 19 requirements of the framework.

Each LWU needs to prepare a 30-year strategic business plan, total asset management plan (TAMP) and financial plan,⁵ which are reviewed by NOW.⁶ Each LWU also needs to undertake extensive community consultation (NSW Office of Water 2012) and to prepare and implement a risk-based drinking water management system (NSW Health and NSW Office of Water 2013) by September 2014 in accordance with the *Australian drinking water guidelines 2011*. The water quality management systems need to be independently audited.

Each LWU also needs to prepare and implement a 30-year integrated water cycle management (IWCM) strategy⁷ for water supply, sewerage, and stormwater that 'right sizes' any necessary infrastructure projects and provides the best value for money on the triple bottom line (TBL) basis of social, environmental, and economic considerations. NOW reviews each LWU's IWCM strategy (Element 1 of the NSW Best-Practice Management Framework) and provides confirmation to each utility that its final IWCM strategy is soundly based.

The NSW Government has developed guidelines on assuring future urban water security. They build on the robust NSW methodology for determining the appropriate size of a regional water supply headworks system (known as the 'NSW security of supply basis') and a pilot study for 11 urban water supplies in regional NSW.

Each NSW regional water utility will need to assess the impact of climate variability on the secure yield of its water supply system in accordance with the water security guidelines. Secure yield assessments will form an integral part of the utility's IWCM strategy.

A proposal for the construction or modification of a dam or water or sewage treatment works or for the development of a water recycling system requires approval under section 60 of the *Local Government Act 1993*. This involves an independent and objective review that allows NOW to share its insights and expertise in overseeing 539 LWU water and sewage treatment works and 119 LWU dams. The review provides assurance to the community that the proposed infrastructure is fit for purpose and provides a robust, safe, cost-effective, and soundly based solution, without wasteful 'gold-plating'. Similarly, the acceptance of a high- or medium-risk trade waste discharge to the sewerage system requires a NOW section 90(1) concurrence.

Under section 61 of the *Local Government Act 1993*, NOW carries out regular inspections of LWU treatment works and provides feedback and mentoring to the LWU operators. Each operator in charge of a water or sewage treatment works in regional NSW is required to have appropriate qualifications and experience.

NOW conducts nationally certificated operator training courses for LWU water and sewage treatment works operators; 339 LWU operators have met the requirements of the National Certification Framework for Water Treatment Works Operators. The performance of each of the 539 LWU treatment works is publicly disclosed annually in appendixes D1 and D2 of the *NSW Water supply and sewerage benchmarking report*.

NSW Health regulates water quality in New South Wales and administers functions relating to water suppliers (Sydney Water, Hunter Water, and the LWUs) under the *Public Health Act 2010*. NSW Health also enters into memorandums of understanding with the metropolitan water utilities (including SCA) to facilitate interaction between the agencies and to establish the scope of drinking water management plans and procedures for communicating the results of water quality programmes. NSW Health also conducts the NSW Drinking Water Quality Program,⁸ which tests and monitors the water quality of samples collected by the LWUs in accordance with the *Australian drinking water guidelines 2011*.

5 Strategic business plans, TAMPs, and financial plans need to be in accordance with the July 2014 Strategic Business Planning Check List (www.water.nsw.gov.au).

6 A LWU's peak planning document for water supply and sewerage is the later of its Integrated Water Cycle Management (IWCM) strategy and financial plan and its strategic business plan and financial plan. These are required every 8 years on a rotation of every 4 years (www.water.nsw.gov.au). The IWCM strategy and strategic business plan must disclose the utility's levels of service, total asset management plan, and projected typical residential bills and should be made available on the utility's website. All of the LWUs serving more than 3,000 properties have completed a sound 30-year strategic business plan and financial plan that demonstrates the long-term financial sustainability of their water and sewerage businesses. The plans cover 93% of LWUs and over 99% of the urban population in regional New South Wales.

7 IWCM strategies, TAMPs, and financial plans need to be in accordance with the July 2014 IWCM Check list (www.water.nsw.gov.au)

8 See Appendixes B (p. 215), D1 (p. 243) and H (p. 299) of NSW Office Water 2014.

The Office of Environment and Heritage (NSW) regulates the environmental impact of water utilities' operations through environmental protection licences issued under the *Protection of the Environment Operations Act 1997* and through memorandums of understanding with the utilities. Annual reports of compliance performance, required by the licences, are publicly available on the Environment Protection Authority website.

The Dam Safety Committee regulates the water utilities with respect to dam safety. The *Dams Safety Act 1978* enables the committee to direct the utilities to undertake works, surveillance, and emergency planning to ensure the safety of dams in New South Wales.

NOW also licences the extraction of water from natural surface water and groundwater sources for supply to Hunter Water and LWU customers.

B2.4 Water utilities in New South Wales

Sydney Water, a statutory corporation wholly owned by the NSW Government is Australia's largest water utility, with an area of operations covering 12,700 square km. It provides drinking water, recycled water, wastewater services, and some stormwater services to more than 4 million people in Sydney, the Illawarra, and the Blue Mountains. Drinking water is sourced from a network of dams managed by SCA and from the Kurnell desalination plant before it is treated and delivered to customers.

SCA is a NSW Government agency created in 1999 by the *Sydney Water Catchment Management Act 1998* to supply raw water in bulk to Sydney Water. SCA's area of operations is defined in its operating licence and includes catchments in the Blue Mountains, Shoalhaven, Warragamba, upper Nepean, and Woronora areas.

Hunter Water is a wholly State-owned corporation responsible for the provision of water and wastewater services to over half a million people in the lower Hunter region. The Hunter Water area of operations covers the local Government areas of Cessnock, Lake Macquarie, Maitland, Newcastle, Port Stephens, and Dungog and parts of Singleton.

The 105 regional LWUs in NSW range in area from 130 square km (Deniliquin) to over 50,000 square km (Central Darling), while the population served ranges from under 1,000 (Jerilderie) to 165,000 (Gosford).

All of the 29 regional NSW LWUs serving 10,000 or more connected properties have reported annually for the Urban NPR.

The comprehensive final report of the Independent Local Government Review Panel has been released and the NSW Government has provided its response to the panel's report (www.olg.nsw.gov.au). Councils are required to prepare a submission by June 2015 on how they propose to be 'Fit for the Future' and to address the recommendations in the panel's report. The council submissions will be assessed by an independent expert panel.

Performance monitoring and reporting are considered important for public accountability and have been strongly endorsed by the NSW Government, IPART, and the Productivity Commission (Productivity Commission 2011)

The metropolitan water utilities are required to report on the performance indicators in their operating licences in accordance with the reporting manual. The reporting of indicators is audited each year through the annual operating licence audit, and the audit results are presented to the responsible minister, the Minister for Lands and Water.

Sydney Water and Hunter Water also report the National Water Initiative (NWI) performance indicators required for release in the Urban NPR, as outlined in the *National Performance Framework: 2013–14 urban water performance report indicators and definitions handbook*.

With the exception of the financial indicators, IPART audits one third of the auditable NWI indicators each year. The audit is conducted concurrently with the annual operating licence audits. Financial NWI indicators are audited once every three years by the Audit Office of New South Wales.

Because SCA is a bulk water supplier it reports on only a subset of the NWI indicators (29 of approximately 150).

LWUs are required to annually report the fair value and the current replacement cost depreciation of their water supply and sewerage assets in their audited annual financial statements.

NOW annually reports the performance of all the New South Wales utilities.⁹ The LWU data is audited as follows:

- All of the 30 NWI financial performance indicators are independently audited annually for each of the 105 regional LWUs.
- All of the auditable non-financial performance indicators are independently audited every three years for each of the 29 regional NSW utilities that are required to report nationally.¹⁰

The remainder of the information reported in the NSW Performance Monitoring System is not independently audited; however, in order to assure data reliability, the data is subject to the comprehensive data validation processes detailed in Appendix G of the 2013–14 NSW water supply and sewerage performance monitoring report (www.water.nsw.gov.au). Refer also to NSW Office of Water 2014.¹¹

B3 Northern Territory

B3.1 Establishment of service providers

The Northern Territory *Water Supply and Sewerage Services Act 2009* (the *Act 2009*) provides the regulatory framework for the water and sewerage industry in the Territory. The Department of Treasury and Finance is responsible for the *Act* in so far as it relates to price regulation, while the Minister for Essential Services is responsible for the *Act* as it relates to supply and service provision under licence, and the Department of Health is responsible for the *Act* as it relates to water quality standards.

The objects of the *Act 2009* are:

- to promote the safe and efficient provision of water supply and sewerage services;
- to establish and enforce standards of service in water supply and sewerage services;
- to facilitate the provision of financially viable water supply and sewerage services; and
- to protect the interests of customers.

Among other things, the *Act* provides for the following:

- The supply of water and sewerage services is to be licensed, and licences issued by the Utilities Commission are for defined, gazetted, geographical areas. The Minister for Essential Services is responsible for the declaration of water supply and sewerage service licence areas (by notice in a Government gazette).

9 The NSW reference rates manual for valuation of water supply, sewerage, and stormwater assets (2014) provides current unit rates and guidance on the valuation and depreciation of such assets. Available at www.water.nsw.gov.au.

10 These utilities serve 75% of the connected properties in regional NSW. Independent audits were conducted in 2006–07, 2009–10, and 2012–13.

11 The NSW Performance Monitoring System is shown on page 3 of the 2012–13 *Benchmarking report*. The system involves a 'one-stop shop', which minimises red tape and avoids duplication in reporting by providing the required LWU data to the National Water Commission annually (for the Urban NPR), the Australian Bureau of Statistics and the Australian Bureau of Meteorology, as well as for NSW State reporting, including the *State of the environment report, NSW 2021*, the annual NSW performance monitoring and benchmarking reports and a TBL performance report for each LWU.

Power and Water Corporation (the licensed utility) is subject to water quality monitoring programmes and emergency directions issued by the Chief Health Officer (Department of Health).

The Northern Territory Utilities Commission is the independent industry regulator. It has responsibility for the licensing functions conferred by the *Act*.

Statutory conditions of water and sewerage licences issued under the *Act* include:

- that the licensee monitors and reports to the Utilities Commission on compliance with the licence; and
- that the licensee procures an audit, if required by the Utilities Commission, of its compliance with the terms of the licence.

The Northern Territory *Water Act 1992* (the *Water Act 1992*) is another major piece of legislation pertaining to the regulation of the supply of water and sewerage services in the Northern Territory. The *Water Act* provides for the investigation, allocation, use, control, protection, management, and administration of water resources, and for related purposes.

The *Water Act 1992* also allows for the issue of waste discharge licences and water extraction licences by the Controller of Water Resources (Department of Land Resource Management).

B3.2 Operation of water utilities

Power and Water Corporation is responsible for monitoring the quality of drinking water in line with its Drinking Water Operational and Verification Monitoring Program and reports the results to the Chief Health Officer. The programme is based on the *2004 Australian drinking water guidelines*.

While Power and Water Corporation has primary responsibility for providing safe drinking water through the Northern Territory *Water Supply and Sewerage Services Act 2009*, a number of Government agencies are also involved. The Department of Health applies the guidelines and monitors compliance with them in the interest of public health, and the Department of Land Resource Management and the Environmental Protection Authority (EPA) of the Northern Territory (EPA) also have a role in protecting water quality, including the regulation and management of water resources and the regulation of pollution control.

The Department of Infrastructure has a major role in protecting water quality through land-use planning in the Northern Territory. In addition, legislation such as the *Water Act 1992* and the Northern Territory *Land Acquisition Act 1978* contain provisions for infrastructure and land use relating to water supply.

A condition of the waste discharge licences issued to Power and Water Corporation is the submission to the EPA of annual audit and compliance reports related to environmental impacts that discharged water may cause, and the assessment of water recycling schemes. The corporation also investigates and reports to the EPA on pollution incidents under the Northern Territory *Waste Management and Pollution Control Act 2012*.

Water and sewerage tariffs and charges are regulated by the Northern Territory Government via a Water and Sewerage Pricing Order issued by the Treasurer as regulatory minister. The Utilities Commission monitors compliance with the pricing order and enforces it under section 23 of the Northern Territory *Utilities Commission Act 2000*. The commission is also required to investigate any complaints made to it by customers about non-compliance with the prices outlined in the order.

B3.3 Water utilities in the Northern Territory

In the Northern Territory, Power and Water Corporation's water and sewerage business is licensed and responsible for the supply of water and sewerage services to the Northern Territory's five major centres (Darwin, Katherine, Tennant Creek, Alice Springs, and Yulara) and 13 minor centres.

No significant distinction between urban and rural areas is made under the legislation or the licensing framework under which Power and Water Corporation operates. Declared water supply and sewerage service licence areas are defined by geographical coordinates (latitude and longitude).

B3.4 Performance reporting

Urban NPR data is gathered within Power and Water Corporation by a central coordinator, who collates the report, and other areas in the organisation supply information. Some key NPR indicators are provided to Power and Water Corporation's executive management, board, and shareholders on a regular basis. Performance data that is publicly available is reviewed and/or signed off at the executive or managing director level. NPR data is signed off at the senior management level. Many of the NPR indicators are audited in accordance with NPR auditing requirements.

B4 South Australia

B4.1 Establishment of utilities

The Department of Environment, Water and Natural Resources and SA Water are the agencies responsible for managing South Australia's urban and rural water delivery.

Regional natural resources management boards are responsible for the development of water allocation plans for prescribed water resource areas as required by the South Australian *Natural Resources Management Act 2004*.

The South Australian *Water Industry Act 2012* establishes the regulatory framework for the water and sewerage industry covering economic regulation, technical regulation, water planning, and customer complaint handling. The South Australian *Water Industry Act 2012* commenced on 1 July 2012 and governs all water industry entities providing retail services to South Australian customers.

On 1 January 2013, the Essential Services Commission of South Australia (ESCSA) became the independent economic regulator of water and sewerage retail services in South Australia, with the primary objective of protecting the long-term interests of South Australian consumers with respect to the price, quality, and reliability of those services.

The ESCSA is responsible for the economic regulation of water and sewerage services in South Australia, a role that includes industry licensing, consumer protection, retail pricing, and performance monitoring.

B4.2 Water utilities in South Australia

Any person or entity providing 'water retail services' to South Australian customers is required to be licensed by the ESCSA. The ESCSA has determined separate regulatory obligations for major retailers (those providing retail services to more than 50,000 connections) and other retailers (with less than 50,000 connections). SA Water is the only major retailer in South Australia, and there are currently 64 other retailers (mainly council run operations).

B4.2 Water utilities in South Australia

SA Water is a Government enterprise and, as the State's main supplier of urban water, is required under the South Australian *Water Corporation Act 1994* to deliver, monitor and report on its primary functions of:

- supply of water by reticulated systems;
- storage, treatment and supply of bulk water; and
- removal and treatment of wastewater.

SA Water provides drinking water to approximately 745,000 customers, servicing around 95% of the State's population. SA Water also provides sewerage services to approximately 586,000 customers, servicing around 76% of the State's population.

The 64 other water and sewerage retailers provide drinking water to approximately 6,000 customers and sewerage services to around 85,000.

B4.4 Operation of water utilities

Section 35 of the *Water Industry Act 2012* empowers the ESCSA to make a determination under the South Australian *Essential Services Commission Act 2002* regulating prices, conditions relating to prices, and price-fixing factors for water retail services.

The ESCSA made its first independent revenue determination for SA Water in May 2013, setting maximum allowed revenues for drinking water and sewerage retail services for the 3-year period from 1 July 2013 – 30 June 2016.

A more light-handed approach to price regulation has been applied to other water retailers for the Initial Regulatory Period (1 July 2013 – 30 June 2016) through a combination of pricing principles and a price-monitoring framework.

Pursuant to Part 4 of the *Essential Services Commission Act 2002*, the ESCSA is empowered to make industry codes and rules regulating the conduct or operations of a regulated industry or regulated entities. The ESCSA has made a Water Retail Code for major retailers that sets out the minimum requirements to be complied with by SA Water when dealing with its customers and includes obligations relating to customer connections and the quality, safety, and reliability of the water and sewerage supply. SA Water is required to meet a number of operational service standards relating to customer service, service interruptions, and new connections.

A similar Water Retail Code has been made for other retailers, but there are currently no service standards.

B4.5 Performance reporting

The Commission produces an annual performance report on the water and sewerage industry. The report covers prices charged, customer service, financial assistance offered by retailers to customers, infrastructure reliability, and financial performance.

SA Water reports against customer service and water quality indicators in its annual report. The indicators include:

- compliance with the Australian Drinking Water Guidelines 2011 (ADWG);
- the Water Quality Management Index;
- compliance with water and sewerage services targets; and
- the Incident Response Index.

B5 Tasmania

B5.1 Introduction

In July 2009, Tasmania's urban water and sewerage industry was reformed and restructured. Three regional water and sewerage corporations took over the operation of the water and sewerage services previously provided by 28 local councils and three bulk water authorities.

Two pieces of legislation were enacted to enable reform:

- the Tasmanian *Water and Sewerage Corporations Act 2008* addressed the structural elements of the reforms; and
- the *Water and Sewerage Industry Act 2008* (the *Industry Act*) addressed the economic regulatory elements.

In May 2012, the owner Councils of the three corporations agreed to amalgamate those entities into a single corporation. Legislation was subsequently passed to enable a single corporation, the Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater), to commence operations on 1 July 2013.

B5.2 Establishment of water utilities

The *Water and Sewerage Corporations Act* established three corporations, owned by local Government to provide water and sewerage services across the State:

- Ben Lomond Water;
- Cradle Mountain Water; and
- Southern Water.

The *Water and Sewerage Corporation Act 2012* subsequently provided the legislative basis for the amalgamation of these three regional corporations to form TasWater.

The *Industry Act* requires any persons or entities owning and/or operating water and/or sewerage infrastructure, or supplying water and/or sewerage services to others, to be licensed, unless exempted.

The licences place a number of regulatory obligations on licensees through reference to various regulatory instruments such as codes and guidelines, as well as requiring the preparation of management plans in relation to matters such as assets and emergency management and compliance.

B5.3 Operation of water utilities

The *Water and Sewerage Industry Act* provides for the establishment of an economic regulatory framework to apply to the provision of water and sewerage services. It also provides for a number of transitional arrangements to apply until all elements of the new regulatory framework are fully implemented.

The economic regulatory framework is focused on ensuring competitive market outcomes from the sector in relation to both price and service, ensuring the financial sustainability of the water and sewerage corporations, and providing sufficient funding to meet other regulatory obligations.

Industry regulators for the sector include the Tasmanian Economic Regulator, the Director of the Environment Protection Authority, the Director of Public Health, and the Secretary of the Department of Primary Industries, Parks, Water and Environment.

The Tasmanian Economic Regulator is responsible for administering the licensing system, establishing and maintaining the Customer Service Code, and regulating prices and terms and conditions for regulated services.

The Tasmanian EPA administers and enforces the provisions of the Tasmanian *Environmental Management and Pollution Control Act 1994* and is principally concerned with the prevention, reduction, and remediation of environmental harm.

The Tasmanian Director of Public Health is responsible for drinking water quality and safety through the application of drinking water guidelines and for the fluoridation of drinking water.

The Department of Primary Industries, Parks, Water and Environment is responsible for the administration of the Tasmanian Water Management (Safety of Dams) Regulations 2011.

Independent regulation of water and sewerage prices in Tasmania commenced on 1 July 2012, following the Tasmanian Economic Regulator's first price determination investigation of regulated water and sewerage services in the State. As part of the investigation, each regional corporation submitted a proposed price and service plan articulating a set of price and service outcomes to be delivered over the first regulatory period. The investigation culminated in the release of a price determination for each water and sewerage corporation, covering the three years from 1 July 2012 – 30 June 2015. The main outcomes of the investigation centred on the commencement of price reform and the implementation of service standards.

Price reform of the industry is designed to transition customers to a single set of tariffs across the whole State by the statutory due date of 1 July 2020 (i.e., customers are required to be paying the same price for the same service irrespective of where they live in Tasmania by this date). Price reform has also introduced two-part pricing for water (a fixed charge based on the size of the connection and a variable charge reflecting metered water consumption), and sewerage charges to be determined based on the assessed equivalent tenements of each property.

Within its price and service plans, each water and sewerage corporation proposed transitional service standards for each year of the regulatory period, based on a minimum service standard framework specified in the Customer Service Code issued by the Tasmanian Economic Regulator in 2010 (updated in 2013).

The price determinations made, and price and service plans approved, as part of the 2012 price determination investigation continue to apply to TasWater for the remainder of the first regulatory period.

B5.4 Water utilities in Tasmania

During 2013–14, the sole water and sewerage provider in Tasmania was TasWater, which commenced operations on 1 July 2013 following the amalgamation of the three regional corporations.

TasWater's objectives include ensuring that infrastructure planning occurs on a statewide basis, service is delivered consistently, governance arrangements between council owners and the new corporation are streamlined, and opportunities are created for cost savings.

B5.5 Performance reporting

The Tasmanian economic regulator is required to prepare an annual report on the state of the water and sewerage industry (the 'State of the industry report'). The report covers affordability, customer service, financial performance, network reliability and efficiency, drinking water quality, and environmental performance, and also identifies future priority projects for the industry. The indicators reported on in the report are based on the National Performance Reporting Framework with some additional State-based measures.

The economic regulator's Tasmanian Water and Sewerage Industry Performance and Information Reporting Guideline 2013 prescribes the data and contextual information that TasWater must provide to the Economic Regulator so that its performance can be measured in a number of areas.

The Economic Regulator's reporting guidelines sets out how the Economic Regulator will exercise its powers to provide for regulatory reporting, the scope of the reporting, and how the reporting is to be conducted. Under the guidelines, licensees are required to engage an independent reporter or appraiser, approved by the Economic Regulator, to conduct a review according to terms of reference issued by the Economic Regulator. In developing the terms of reference, the Economic Regulator will consult with the Director of Public Health and the Director of the EPA to determine the practicality of joint reporting.

The report to the Economic Regulator covers compliance with, and the adequacy of, management and compliance plans and/or the quality, reliability or conformity of regulatory information, including performance information. Regulatory reporting for Tasmania's water corporations began in 2012–13. The auditing of performance information commenced during 2013–14, whilst reviews of *TasWater's Environmental Management Plan and Compliance Plan* are to be undertaken during 2014–15 and the review of *TasWater's Asset Management Plan* is to be completed by 31 August 2015.

The Tasmanian Department of Health and Human Services ensures compliance with regulatory obligations under the Tasmanian *Public Health Act 1997* and the Tasmanian drinking water quality guidelines 2005. Under the guidelines, any laboratory tests of drinking water must be performed by an accredited laboratory. If results obtained from drinking water tests indicate that there is, or is likely to be, a threat to public health, then the laboratory that performed those tests must notify the Director of Public Health.

B6 Queensland

B6.1 Introduction

In Queensland, the regulation of the urban water and sewerage services sector is undertaken by a number of Queensland Government departments, with the aim of providing the State's urban communities with access to safe and reliable water and sewerage services and ensuring efficient business operations, efficient water use, water security, protection of the environment, competition, and the prevention of monopoly pricing.

B6.2 Establishment of water utilities

Chapter 2 of the Queensland *Water Supply (Safety and Reliability) Act 2008* (the *Water Supply Act*) provides a framework for the delivery of water and sewerage services throughout Queensland. It sets out certain requirements relating to water and sewerage service providers and the provision of services (water, sewerage, and irrigation). Chapter 3 provides a framework for the use and provision of recycled water.

The Queensland *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* provides for council-owned distributor–retailers and the operation of council water businesses in southeast Queensland (SEQ). The Queensland Department of Energy and Water Supply (DEWS) administers these *Acts*.

Chapter 4 of the Queensland *Water Act 2000* provides the administrative and reporting framework for category 1 water authorities. The Queensland *South-East Queensland Water (Restructuring) Act 2007* provides for bulk water service providers in SEQ. DEWS jointly administers this *Act* with the Queensland Department of Treasury and Trade.

B6.3 Operation of water utilities

Water utilities are referred to as 'water service providers' in Queensland's legislative framework. They operate within the following framework of regulation:

Water quality—health

- Queensland *Water Supply (Safety and Reliability) Act 2008*—administered by DEWS; and
- Queensland *Public Health Act 2005* and Regulations, Queensland *Water Fluoridation Act 2008* and the Queensland *Water Fluoridation Regulation 2008*—administered by the Queensland Department of Health.

Water quality—discharges to the environment

- Queensland *Environmental Protection Act 1994* and regulations—administered by the Queensland Department of Environment and Heritage Protection

Infrastructure

- Queensland *Water Supply (Safety and Reliability) Act 2008*, Queensland *South–East Queensland Water (Distribution and Retail Restructuring) Act 2009*, and Queensland *South–East Queensland Water (Restructuring) Act 2007*, Queensland *Water Act 2000*—administered by DEWS;
- Queensland *Environmental Protection Act 1994* and regulations—administered by the Queensland Department of Environment and Heritage Protection;
- Queensland *Local Government Act 2009* and Regulations—administered by the Queensland Department of Local Government, Community Recovery and Resilience;
- Queensland *Plumbing and Drainage Act 2002* and Queensland Development Code—administered by the Queensland Department of Housing and Public Works; and
- Queensland *Sustainable Planning Act 2009*—administered by the Queensland Department of State Development, Infrastructure and Planning.

Pricing

- Queensland *South–East Queensland Water (Distribution and Retail Restructuring) Act 2009*, *Water Act 2000*—administered by DEWS;
- Queensland *Local Government Act 2009* and regulations—administered by the Queensland Department of Local Government, Community Recovery and Resilience; and
- *Queensland Competition Authority Act 1997*—administered by the Queensland Competition Authority.

The regulatory framework for water service providers in Queensland in the Queensland *Water Supply (Safety and Reliability) Act 2008* was amended in May 2014 after consultation with the water industry. The new performance reporting framework under the *Act* has transformed water service provider regulation by facilitating a focus on outcomes rather than process.

The new regulatory approach aligns with the NPR framework and uses mandatory reporting on key performance indicators and public and comparative performance reporting. It is anticipated to drive service improvement, improved planning, and infrastructure management by fostering a reputational incentive for better performance, and enhancing accountability to customers by opening provider performance to public scrutiny. Transparency for customers should be improved as service providers are now required to consult on and publish customer service standards as well as publish annual reports.

The reforms removed the regulatory requirement to submit most regulatory management plans and associated reports, reviews, and audits to the regulator, although drinking water service providers will still be required to prepare and comply with an approved drinking water quality management plan to protect public health. The requirements for drinking water quality management plans took full effect from 1 July 2014, and all drinking water providers have submitted their plans to DEWS.

The Department of Environment and Heritage Protection licenses wastewater treatment plant discharges and requires monitoring and environment reporting.

The Queensland Competition Authority (QCA) is responsible for monitoring retail and distribution pricing in SEQ, and investigating and recommending pricing for bulk supply from Seqwater, and SunWater. In 2013, the authority was directed to investigate and develop a long-term regulatory framework (and pricing principles) for Unitywater and Queensland Urban Utilities, as well as Logan, Redland and Gold Coast councils, to apply from 1 July 2015.

B6.4 Water utilities in Queensland

Queensland has a total of 174 registered water service providers, of which 86 are potable water and sewerage service providers and 88 are nonpotable water service providers.¹²

With the exception of Mt Isa in the northwest of the State, all residential water service providers with more than 5,000 connections are concentrated in southeast Queensland and along the east coast north to Douglas Shire.

The smaller providers commonly service small populations over a large and/ or remote location, such as Indigenous council areas and rural towns. The majority (68%) of residential water service providers in Queensland have less than 5,000 residential connections. In many cases, these connections are spread over a number of isolated supply schemes within the council water supply area.

In SEQ, there are five distribution and retail providers: the two local Government-owned distributor–retailers (Queensland Urban Utilities and Unitywater) and three local Governments providing water and sewerage services directly (Gold Coast, Logan and Redland city councils). Seqwater now performs all bulk production and transport services in SEQ.

B6.5 Performance reporting

The Queensland Water Supply Regulator is part of DEWS. It is responsible for issuing notices to relevant service providers requiring them to report on particular key performance indications (KPIs). It receives annual performance reports, undertakes data validation, administers compliance with the Queensland *Water Supply (Safety and Reliability) Act 2008*, and incident or quarterly reporting requirements under the that *Act*, including managing the systems that store information.

KPIs

From 1 July 2014, service providers will report on their performance against a set of KPIs for each year to DEWS for analysis and compliance purposes. The annual performance reporting requirement will only apply to drinking water and sewerage service providers, although other water service providers can be required to complete annual performance reporting if prescribed by regulation.

Monitoring and compliance

The *Water Supply Act* outlines a process for the regulator to monitor performance, trigger investigations, and require improvement plans or, in crisis situations, to direct providers to undertake actions to address an imminent threat to water security or continuity of supply (including for a sewerage service).

Investigation

The new framework enables the regulator to investigate a provider's water or sewerage service if the regulator reasonably believes there is a risk to water security or the continuity of supply for that service. Information contained within a performance report or audit report or other information held by the regulator would be used to assess the risk and may trigger an investigation. An investigation may be triggered, for example, if a provider has less than six months' supply.

¹² Data is supplied by the Queensland Water Supply Regulator, current as at 1/1/15 https://www.google.com.au/url?url=https://www.dews.qld.gov.au/__data/assets/excel_doc/0011/88967/service-provider-register.xlsx&rct=j&frm=1&q=&esrc=s&sa=U&ei=3njhVl_eNc-m8AWCwILg-Dw&ved=OCBoQFjAB&usg=AFQjCNFJqIG_2SZVSrtGXD_2g9y4N4VMpw.

Improvement plans

If an investigation reveals risks to water security or service continuity, and adequate measures are not in place, a service provider may be required to develop and implement an improvement plan. This plan must address how the identified risks to water security or service continuity will be managed. If the provider is required to make an improvement plan, an improvement notice together with an information notice about the decision will be sent to the provider. The improvement notice will specify the outcomes that must be achieved by implementing the plan and the timeframes for providing a copy of the improvement plan to the regulator. Prior to this step, the regulator will issue a show cause notice and consider any responses from the provider.

Comparative report

DEWS will publish an annual comparative report on water industry performance statewide in consultation with industry. Performance information including water security, customer service, and financial sustainability will be published. The first comparative report will be published in late 2015/early 2016 after the first annual reporting cycle is completed. All service provider performance data will also be made publicly available as part of the open data requirements.

The DEWS administers the urban national performance reporting process for Queensland and holds meetings and interacts with participating water service providers.

B7 Victoria

B7.1 Introduction

In Victorian, the State Department of Environment, Land, Water and Planning (DELWP) has overall governance oversight, on behalf of the Minister for Environment, Climate Change and Water (the Minister), for the establishment of water utilities and their performance. The oversight of certain aspects of water utility performance is also shared with the Victorian Department of Treasury and Finance (DTF) (business financial risks), the Victorian Department of Health and Human Services (DHHS) (water quality), the Victorian Environment Protection Authority (EPA Victoria) (environmental performance) and the Essential Services Commission (ESC) of Victoria (price regulation and service standards).

Reporting and compliance obligations are imposed by Victorian legislation including the *Water Act 1989*, the *Water Industry Act 1994*, the *Financial Management Act 1994*, the *Safe Drinking Water Act 2003*, the *Environment Protection Act 1970*, and the *Planning and Environment Act 1987*. In addition, regulatory instruments such as the Statement of Obligations (2012), the Water Industry Regulatory Order 2014, and the State Environment Protection Policy (Waters of Victoria) also impose some compliance and reporting obligations.

B7.2 Establishment of water utilities

The Victorian water sector is made up of 19 water utilities (corporations) constituted under the *Water Act 1989*. The key aspects of the governance frameworks covering drinking water quality, environmental protection, price regulation, and consumer protection are the same across all 19 water utilities.

Under sections 41 of the *Water Industry Act 1994*, water utilities are subject to statements of obligations, issued by the Minister following consultation with the Treasurer and the ESC, that impose obligations in relation to the performance of their functions and the exercise of their powers.

B7.3 Operation of water utilities

Apart from Department of Environment, Land, Water and Planning, the regulatory oversight of water utility operation in Victoria is shared between four other agencies.

The Department of Treasury and Finance has governance oversight for the water corporations' proposed strategic directions and business management activities in terms of their potential for financial risk to the business and its implications for the Government, focusing on the state's budget, net debt position, and credit rating.

The Department of Health has governance oversight for water quality under the *Safe Drinking Water Act 2003* and the *Safe Drinking Water Regulations 2005*. This provides a framework for drinking water quality that includes risk management obligations, a set of standards for key water quality parameters, and information disclosure requirements for water businesses. The Regulations establish an auditing framework.¹³ Under the legislation, the Department of Health is required to publish an annual water quality report that is tabled in parliament by the Minister for Health.

EPA Victoria regulates the environmental performance of the water utilities, particularly as it relates to treated sewage effluent quality, through a corporate licence (previously, each sewage treatment plant was licensed). The level of sewage treatment required usually depends on the type of waterway into which the treated sewage is discharged. Under the licence provisions, water businesses must regularly sample and monitor sewage effluent quality and advise the EPA if there are specific incidents of noncompliance. A corporate licence also includes a requirement to submit an annual performance statement to the EPA.

Most sewage treatment plants operated by the water businesses are subject to the State Environment Protection Policy (Waters of Victoria) schedules, which are developed and administered by EPA Victoria. The schedules require sewage treatment plant operators to ensure that the sustainable reuse of treated effluent and biosolids is maximised wherever possible.

Water businesses are also subject to EPA works approval permits before works such as new treatment plants or major alterations can begin.¹⁴

The ESC is responsible for price regulation and setting service standards for water services in Victoria under Part 1A of the *Water Industry Act 1994*, the *Essential Services Commission Act 2001* and the Water Industry Regulatory Order. The legislative framework provides the ESC with powers and functions to:

- make price determinations;
- regulate standards and conditions of service and supply; and
- require regulated businesses to provide information.

B7.4 Water utilities in Victoria

All 19 water utilities in Victoria are owned by the State Government. There are four water utilities in metropolitan Melbourne: Melbourne Water, City West Water, South East Water, and Yarra Valley Water. The three retailers (City West Water, South East Water, and Yarra Valley Water) deliver retail water supply and sewerage services to customers in the Melbourne metropolitan area.

Melbourne Water provides bulk water and bulk sewerage services in the Melbourne metropolitan area and manages rivers and creeks and major drainage systems in the Port Phillip and Westernport regions. Melbourne Water also controls the catchment for most of its supply.

¹³ Details of the drinking water regulatory framework, the audit arrangements and the annual drinking water quality report are available at <http://www.health.vic.gov.au/water/drinkingwater/annualreport.htm>.

¹⁴ Details of the environmental regulatory framework and how it applies to water businesses are available from www.epa.vic.gov.au/water/EPA/controls.asp.

Outside Melbourne, 13 regional urban water utilities provide water and sewerage services (Barwon Water, Central Highlands Water, Coliban Water, East Gippsland Water, Gippsland Water, Goulburn Valley Water, Grampians Wimmera Mallee Water (GWMWater), Lower Murray Water, North East Water, South Gippsland Water, Wannon Water, Western Water, and Westernport Water).

GWMWater and Lower Murray Water are hybrid water utilities that provide both urban water services and rural water services.

Additionally, two rural water utilities (Goulburn–Murray Water and Southern Rural Water) provide irrigation and groundwater services.

Most water utilities in regional Victoria have their own bulk water supplies. Goulburn–Murray Water, Southern Rural Water, and GWMWater also provide both wholesale (bulk) and retail services. In metropolitan Melbourne, Melbourne Water provides both bulk water and sewerage services, and three separate retail water utilities deliver retail water supply and some localised sewerage services.

Victoria has an integrated catchment management system established under the Victorian *Catchment and Land Protection Act 1994*. Under this *Act*, the State is divided into 10 catchment regions; a catchment management authority is established for each region. Catchment management authorities are provided with regional waterway, floodplain, drainage, and environmental water reserve management powers under the *Water Act 1989*.

Although owned by the Government, all 19 water utilities act as stand-alone entities and are responsible for their own management and performance. Each water utility has a chairperson and a board of directors appointed by the Minister. The board has a range of responsibilities, including:

- steering the entity;
- setting objectives and performance targets; and
- ensuring compliance with legislation and Government policy.

Public sector directors must comply with the statutory directors' duties in the Victorian *Public Administration Act 2004*, the Directors' Code of Conduct and common law directors' duties. In addition, directors of water utilities must also comply with requirements as set out in the *Water Act 1989*.

Each board appoints a managing director who is responsible for the day-to-day management of the water utility under delegation from the board.

Each managing director sits on the board and is the primary link between the board and the water utility staff, communicating board priorities and policies to the staff and presenting reports, submissions, and budgets to the board.

The board of each water utility reports to the Minister via DELWP. In turn, the Minister is responsible for reporting to parliament on the performance of each water utility.

To assist with the management of the water industry, the Minister is supported by the Water and Catchments Group within DELWP.

The principal legislation governing financial reporting by water entities is the *Financial Management Act 1994*. The Minister for Finance through the Department of Treasury and Finance (DTF) issues financial reporting directions under the *Financial Management Act 1994* for the preparation of annual reports. The Minister issues ministerial reporting directions to water utilities for performance reporting as part of their annual reports. DELWP is responsible for reviewing the annual reports of the water utilities and advising the Minister for tabling the reports in parliament.

The Victorian Auditor–General's Office is responsible for the auditing of the annual financial statements and the performance report of water utilities before their annual reports are tabled in parliament. The data reported in the NPRs is either taken directly from the published annual reports or derived from the annual reports.

In accordance with the *Water Act 1989*, each water utility must submit an annual corporate plan that provides a statement of corporate intent, lists expected activities, and provides a financial forecast for the following five years. The Minister (through DELWP) issues guidelines to the water utilities for the preparation of the plans. DELWP and DTF are responsible for reviewing the corporate plans (and business cases for major capital projects above a threshold value) and advising the Minister and the Treasurer, respectively.

Price submissions (previously called water plans) are required every five years or so. They include details about proposed revenue requirements and tariff and pricing structures and are assessed by the ESC.

B7.5 Performance reporting

One of the ESC's regulatory functions is to monitor and report publicly on the performance of the Victorian water utilities. The ESC's annual water performance reports are available on its website (www.esc.vic.gov.au/Water/Performance-reports/).

Under the Water Industry Regulatory Order, the ESC has the function of auditing:

- the compliance of a regulated water utility with the standards and conditions of service and supply specified by the ESC in any code or set out in the utility's price determination, and the systems and processes established by the water utility to ensure such compliance;
- the reliability and quality of information reported by a water utility to the ESC, and the conformity of that information with any specification issued by the ESC; and
- the compliance of a water utility with asset management obligations imposed in any statement of obligations issued to it.

The annual audits are an important element of the regulatory framework. They verify that the information collected and reported by water utilities is accurate and reliable and provide evidence to customers and other stakeholders that regulatory obligations are being complied with. Most Victorian data reported in the NPRs is audited under those arrangements.

The audit approach is set out in the ESC's guideline for approving, conducting and reporting audits, which is available from the ESC's website (www.esc.vic.gov.au/Water/Codes-and-Guidelines).

B8 Western Australia

B8.1 Introduction

The Western Australian Department of Water has prime responsibility for water resource policy, planning, management and regulation, and the administration of water entitlements and water rights in Western Australia. The reporting of water utility performance is primarily the responsibility of the Economic Regulation Authority (ERA); however, the Western Australian Department of Health, the Western Australian Department of Environment Regulation, and the Western Australian Environmental Protection Authority also have some reporting responsibilities.

Reporting and compliance obligations are imposed by Australian Government legislation including the *Corporations Act 2001* and the *Privacy Act 1988*, and by Western Australian legislation including the *Water Services Act 2012*,¹⁵ the *Metropolitan Water Supply, Sewerage and Drainage Act 1909*, the *Health Act 1911*, the *Environmental Protection Act 1986*, and the *Planning and Development Act 2005*.

¹⁵ The Western Australian *Water Services Act 2012*, which commenced in November 2013, repealed and replaced the water services licencing provisions in the *Water Services Licensing Act 1995*.

B8.2 Establishment of water service providers

The ERA is the independent regulator responsible for administering the licensing scheme for water service providers (WSPs) pursuant to the requirements of the Western Australian *Water Services Act 2012*, and for reporting on industry performance. To obtain an operating licence, a WSP has to demonstrate that it has the financial and technical capacity to provide the required service or services and that the grant of the licence is not contrary to the public interest.

The *Water Services Code of Conduct (Customer Service Standards) 2013* prescribes the customer service standards by the licensee. The licensee is also required to provide the ERA with data for performance-monitoring purposes, as set out in the licence and the ERA's *Water, sewerage and irrigation licence performance reporting handbook*. The Handbook specifies performance-reporting obligations for each type of licence. Licensees are required to submit completed performance reports to the ERA for each year ending 30 June. The performance indicators for licensees who are not required to report under the NWI Agreement have been aligned with the NPR indicator set for consistency.

The *Water compliance reporting manual* requires licensees to provide a report to the ERA on their compliance with the terms and conditions of their licence for each year ending 30 June. The ERA uses the compliance reports to monitor the overall level of compliance by licensees; the content of each report is confidential to the licensee and the ERA.

The licence terms and conditions for WSPs who supply drinking water require the licensee to enter into a memorandum of understanding, which specifies drinking water quality standards, with the Department of Health, which audits compliance. The memorandums of understanding are reviewed every three years.

B8.3 Operation of water utilities

The oversight of water utility operation in Western Australia is shared by the ERA and other agencies.

The Department of Health sets standards for drinking water quality and regulates activities and the provision of services relating to public health, pursuant to the *Health Act 1911*. The department also supports the Advisory Committee for the Purity of Water, which advises the Minister for Health and the Minister for Water on issues associated with protecting public drinking water.

The Department of Water's responsibilities include the collection and analysis of water resources information, the protection of water quality and water resources, and water industry planning and policy, management, and regulation.

The Department of Environment Regulation regulates the environmental impacts of WSPs through the *Environmental Protection Act 1986*. This *Act* prescribes an environmental registration and licensing scheme, which sets limits on the type and volume of waste that can be discharged from a site. In some circumstances, WSPs may be required to arrange for audits of their compliance with the conditions attached to their registration and provide a copy of the audit report to the department. WSPs must notify the department if there is an unauthorised discharge of waste from registered premises.

The Environmental Protection Authority is an independent adviser to Government on a broad range of environmental matters. The functions of the authority include conducting environmental impact assessments, preparing statutory policies for environmental protection, publishing guidelines for managing environmental impacts, and providing strategic advice to the Minister for Environment.

The Western Australian Planning Commission, a statutory authority that operates with the support of the Department of Planning, oversees the land-use planning implications of WSP operations, according to requirements of the *Planning and Development Act 2005*.

The ERA does not have water price setting powers but receives a reference from Government requesting it to undertake an independent review of water prices for the Water Corporation, Aqwest, and Busselton Water. The ERA's report makes recommendations to the Government on pricing.

The *Water Services Act 2012* requires licensees to arrange for an operational audit and a review of asset management system effectiveness at least once every two years. The audit and review are to be conducted by independent auditors appointed by the ERA. The ERA approves the final audit and review reports and arranges for their publication on its website. The ERA provides a report on each audit and review to the Minister for Water.

B8.4 Water utilities in Western Australia

A number of WSPs are involved in delivering urban drinking water in Western Australia. They include the Water Corporation, Aqwest, and Busselton Water.

The Water Corporation is a statutory State-owned corporation that provides potable and nonpotable water, irrigation water, sewerage services, and drainage services to most areas of Western Australia. It also undertakes catchment management activities under delegation from the Department of Water according to an operational agreement for catchment management between the two organisations. The Water Corporation is the principal supplier of water, sewerage, and drainage services to hundreds of thousands of homes, businesses, and farms, and provides bulk water to farms and growers' cooperatives for irrigation. Its services, projects, and activities span more than 2.5 million square km. It has regional offices in Perth, Bunbury, Albany, Karratha, Geraldton, Northam, and Kalgoorlie.

In November 2013, Aqwest became the Bunbury Water Corporation, a Government trading enterprise operating under the Western Australian *Water Corporations Act 1995*. It provides potable water services to the regional centre of Bunbury, approximately 190 km south of Perth. Its licence permits Aqwest to also provide nonpotable water.

In November 2013, Busselton Water became the Busselton Water Corporation, a Government-trading enterprise operating under the *Water Corporations Act 1995*. It provides potable water services to the regional centre of Busselton, approximately 250 km south of Perth. The Busselton Water licence permits the supply of nonpotable water services. Busselton Water also supplies raw water to the Water Corporation in Dunsborough.

As State-owned corporations, the utilities are subject to performance reporting requirements under the Western Australian *Financial Management Act 2006*. The annual reports prepared by Aqwest, Busselton Water, and the Water Corporation include non-financial performance indicators that are independently audited by the Office of the Auditor-General.

The City of Kalgoorlie–Boulder provide sewerage and nonpotable water services to Kalgoorlie–Boulder, located 600km east of Perth in the Goldfields district. The nonpotable water is sourced from recycled effluent.

Other, smaller water and sewerage service providers include Hamersley Iron, the Rottneest Island Authority, and a number of small rural local Governments.

B8.5 Performance reporting

The ERA produces the annual 'Water, sewerage and irrigation performance report', which presents performance data provided by licensed urban and rural WSPs, including the WSPs that report under the Urban NPR, and other WSPs that supply schemes with more than 1,000 connected properties. Most of the performance indicators are consistent with the NPRs but, with the exception of the licensees that report under the Urban NPR, they are not subject to the audit requirements of the NPRs. The operational audits of the licensees that are not required to report under the Urban NPR verify the annual performance data that is reported to the ERA.