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Regional Town Water
Department of Planning and Environment -Water
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Re: Consultation draft- Regulatory framework for local water utilities

To whom it may concern,

MidCoast Council (Council) is pleased to provide feedback on the draft regulatory framework for local water utilities. The submission has been prepared by Council as a local water utility managing 14 sewerage schemes and six water supply schemes across 10,000 square kilometres. We are currently in the process of reviewing our Integrated Water Cycle Management Strategy.

We have no objections to the intent of the draft regulatory framework for local water utilities. We welcome more flexibility in strategic planning and stronger coordination between local water utility regulators. Note that our submission has not responded to the specific key questions contained in the draft framework but rather replied broadly to the key areas of reform.

Specific Comments

Council makes the following specific comments.

3 Strategic planning oversight

Council believes the right balance has been found between *prescriptiveness* and *flexibility* and between *detail* and *outline*. Council welcomes the move towards flexibility in strategic planning – the draft framework is not as prescriptive as the current one and is outcomes focused. In the absence of a checklist, the new framework provides some guidance on what constitutes *sufficient*, *appropriate* and *robust*, and details on what DPE will consider.

4 Assessing and approving dividend payments

We note that Section 4.1 eligibility criteria requires a local water utility to: 3 - verify that the overhead reallocation charge is a fair and reasonable cost.

Council welcomes the requirement to verify and prescribe overhead reallocation charges as it will ensure that water and sewer funds are receiving value for money. Information to demonstrate this should be included in the annual reporting requirements for Councils to further aid transparency and accountability.

However, we note that the criteria to be met before a dividend is paid does not include any qualitative assessment of the actual performance of the water/sewer systems against the Australian Drinking Water Guidelines (ADWG) or relevant Environmental Protection Licenses. It should be expected that the operation of the business will meet the minimum expectations of all regulators (including NSW Health & NSW EPA). Taking revenue from the business before this has been achieved will restrict the future capability of the business and prematurely increase pricing.

The achievement of minimum performance standard through the annual performance reporting and monitoring process could also be a prerequisite before a dividend is paid.

Further, the payment of a dividend by any utility may be an opportunity for the proceeds of the dividend to be prioritised towards projects that are water or sewer related where other sources of funding are limited. Examples of this would be catchment management works (to improve overall raw water quality in surface water sources) or residential effluent disposal (where onsite wastewater disposal problems exist, and it is not economically feasible to provide a reticulated service without significant subsidy). Further extension on this could apply to stormwater related works (reducing the risk of infiltration into sewer systems) or other environmental programs linked to water related outcomes.

5 Assessing and approving proposed works

Council welcomes the improvements to the section 60 approval process. This includes the timeframe for response, for the concept design only to be submitted and approved. We believe that the improvements make it clear what needs to be provided with a section 60 application.

However, where a Council properly considers a proposal that is technically greater than that recommended by the Department, they should be permitted to do so. This is on the basis that the Council (& community) is understanding of the higher standard being proposed and all of the implication's that may be associated. The underlying intention should be to allow Councils to engage with their community in relation to risk and performance standards provided they meet the minimum requirements. This would provide greater alignment with the intent of the ADWG.

6 Inspecting water and sewage treatment works

Council notes that the scope of inspections is clarified and clear, but the frequency of inspections based on risk does not appear to be stated. Council welcomes a process designed to build trust, foster relationships, and share information needed to build local water utility capacity. Council recommends that frequency of inspections based on risk are included.

Further, inspections should extend to the distribution or collection networks. Excluding networks (either collection or distribution) results in an extensive proportion of the utility's infrastructure and operation being largely ignored. Minimum standards apply for managing, maintaining and repairing networks and these should be inspected/verified in a similar way to Treatment facilities.

8 Performance monitoring & reporting

The current regime provides results to Council's up to nine months after the reporting period. This results in a significant lag between the result and the period in which it was achieved. It would be helpful to consider mechanisms that reduce this lag for key indicators. This would reduce the time taken to observe changes in performance. It would also assist Councils' to provide better outcomes through the overarching IP&R timeframes. Shorter frequencies for reporting of key indicators may also be helpful.

Whilst the reporting process already has an audit component, there needs to be a greater application of minimum performance expectations/standards. This should be coupled with a greater mechanism for follow-up and action where performance does not meet the minimum benchmarks. Ideally the payment of a dividend would also be contingent upon the achievement of minimum service expectations.

10 Coordination between local water utility regulators

Council welcomes the recommendation to minimise duplication and inconsistency with other local water utility regulators. We believe this will assist with managing conflicting priorities and timeframes, whilst achieving value for money for ratepayers. An example of this is where regulators' responsibilities are imposed upon LWUs, are expensive, and may not align with



organisational and community priorities. This can result in expensive delays to achieving results on the ground.

In addition to the 10 topics in the Consultation Draft, we make further comments in relation to the potential to include minimum skills/qualifications in the regulatory framework.

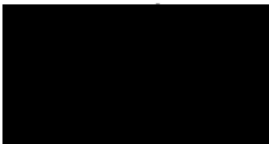
There should be a greater level of regulatory control over the skills and qualifications of the people working within local government water utilities at all levels. There is already an acute shortage of skilled/qualified people available in the industry and this is likely to only deepen with time. There is an increasing potential for staff to be appointed to roles without the minimum level of relevant skills or experience. This is a major risk for utilities, communities and the Government.

As a basic example; undertaking plumbing work on the customers side of the water or sewer service requires minimum trade level qualifications and contractors licensing to protect the homeowner. Similar requirements do not exist for Councils undertaking work on their own systems leaving whole communities potentially vulnerable.

The absence of minimum qualifications for planning, managing or undertaking work by Councils (or on their behalf) encourages and cultivates the skills shortage. Setting minimum expectations would result in greater levels of training at all levels of Councils as part of their business model. In the long term it would deliver more trained and qualified staff to the industry.

Once again, thank you for the opportunity to provide feedback on the draft regulatory framework for local water utilities. Should you have any queries regarding this submission, please contact Tracey Hamer on [REDACTED]

Yours sincerely,



Robert Scott
Director Infrastructure & Engineering Services