Dear Erin,

Regulatory Framework for Local Water Utilities – Water Efficiency Comment

Thank you for the opportunity to comment following discussion, but not endorsement, from the AWA Water Efficiency Specialist Network. Given the makeup of the Specialist Network it is problematic for our members to provide independent commentary on their employers and clients.

Congratulations on the draft Utilities Framework and the thorough approach taken to these important issues.

There are three main areas we would like to emphasise, all of which are already discussed in the draft document and we apologise for potentially not recognising the full implications of the proposed framework. We have focussed on our submission on ensuring that important connections between the NSW Water Strategy and the utility framework are recognised.

We note the commentary on these issues from the NSW Water Strategy

"*We need to reinvigorate water use efficiency programs in our cities, towns and regional centres. While new sources of water are required for cities and towns across the state, there is also a need for increased investment in water system efficiency, water conservation and demand management to delay the timing and reduce the scale of investment in new supply infrastructure.*

Water conservation is strongly supported by communities and businesses, and across government….

The introduction of the Economic Level of Water Conservation Methodology in 2016 was designed to enable Sydney Water to determine an optimal mix of water conservation activities, but has proven ineffective in maintaining the capability required to develop and drive water conservation programs, funding and savings.

An Audit Office report (2020) into water conservation in Sydney found significant failings in water conservation initiatives, particularly outside times of drought. Positive progress has been made to reduce household demand for water in Sydney over the past two years, down from 209 litres per person per day in 2017/18 to 182 litres per person per day in 2019/20 (Figure 26).

The NSW Government is enhancing its investment in water conservation and IPART has recently increased the level of expenditure allowed for Sydney Water to deliver its water conservation program. In regional NSW, there are still large discrepancies between the average residential water consumption rates in different towns. For example, the town with the highest rate of water use per household consumed approximately nine times more water than the town with the smallest rate.47

The efficient use of water contributes to the sustainability of long-term supplies as populations increase and builds community resilience to drought. ***The role of water efficiency should have equal standing with additional supply side options when balancing supply and demand to ensure water is being used efficiently before imposing costs on the community for additional water infrastructure***."

Water Efficiency

We consider that the draft regulatory framework provides insufficient direction to water utilities and assurances to local communities that water efficiency objectives are being set and implemented. As you know NSW has some of the oldest and most successful local water utility water efficiency and water conservation programs in the country and this reflects the value those communities assign to water efficiency.

Recognising the variability in complexity and size of utilities across NSW we propose that utilities set their own water efficiency targets, provided that the targets require declining water use trend in each utility and there is measurement in place to report against the objectives.

In this context water use is defined as weather corrected litres per person per day.

We suggest that small utilities can choose to work together to develop and implement programs to realise economies of scale.

One of the most important considerations is ensuring capacity and scale within water utilities when inevitable droughts occur. If a utility already has a budget, program and staff in place then long term savings can be achieved through both wet and dry periods and programs can be scaled up in a crisis. We propose that utilities set a budget based on $/ML of water produced to be set aside for water efficiency programs that will achieve a long term declining trend and can be scaled up in a drought crisis.

We also note that the Economic Level of Water Conservation has been discredited as a policy response in the NSW Water Strategy and we can consider the policy tool can too easily be used to discredit and defund long term demand management programs between droughts.

Integrated Water Management

The second issue is the strategic emphasis on Integrated Water Management. We propose that an Integrated Water Management plan is required from each utility considering all aspects of the urban water cycle including supply, demand, stormwater management, environmental impacts and the likely impacts of climate change and an analysis of áll options on the table' prior to major investment decisions being taken. While this may appear to be an additional administrative burden on utilities already under pressure water infrastructure has a design life of a century and even if additional resources are required a solid local analysis is fundamental to the public interest.

Measurement

There is reference to key performance indicators in the framework and this reflects a conversation the Specialist Network is also having with the BOM National Performance Reporting. In summary if water efficiency has any significance at all it is critical to record the actual water use in weather corrected litres per person per day, expenditure on water efficiency and the estimated volume of water saved through water efficiency programs. One simple way of doing this is setting a list of programs that utilities could be implementing, each with an estimated level of savings likely to be achieved. The utilities can then report against which of these programs they have implemented and the estimated savings each program achieves. The SN would be happy to assist with both setting and reporting against KPIs.

Michael Smit and Adam Jones