

24 March 2021

Dr Jane Doolan  
Commissioner  
Productivity Commission  
4 National Circuit  
BARTON ACT 2600

Dear Dr Doolan

### **Draft Report into National Water Reform**

Thank you for the opportunity to comment on the Draft Report. This is an important and timely review given the recent drought and the need to mitigate and adapt to climate change. In Greater Sydney, we face the additional challenges of a growing population and ageing infrastructure.

As you know, we provided a submission to the Issues Paper you released in 2020. A list of our recommendations is attached for your reference. We are pleased so many of these were adopted. We are particularly heartened to see the Draft Report calling for an enhanced urban water element to the National Water Initiative.

As your Draft Report highlights, it is critical to put “all options on the table” for supply planning, including demand management. It is this approach, when subjected to a thorough and transparent cost-benefit assessment, that is likely to deliver the best outcomes for customers. Nonetheless, customer engagement remains central. This is particularly important if customers are to pay for the large investments in infrastructure currently being considered.

We are pleased to see a focus on integrated water cycle management. We would like to see more effort to translate the benefits of this approach into frameworks for which infrastructure and other decisions can be made. As your Draft Report observes, an integrated approach to water cycle management can enhance the resilience of water systems by increasing the diversity of sources. However, there is room for more guidance at a national level for how water planning can better embed resilience at all scales. The climatic changes we are now experiencing include extreme weather events, as we have again experienced in these past few weeks. Improving infrastructure resilience to shocks and stresses needs to be a key feature of water plans, along with building community resilience.

The Draft Report could also note the significant opportunity for the water sector to take positive action against climate change through reductions in greenhouse gases and similar. To this end, Sydney Water is working to adopt the principles of the circular economy. A systematic approach would see innovation across the different parts of the water system, and other services such as waste or energy as a whole, to enable solutions that reduce and reuse while improving services, costs and efficiency.

Sydney Water supports the modernised governance arrangements outlined in the Draft Report as a means to strengthen and enhance the adoption of water reform objectives. We look forward to the release of the Final Report and the Government's response to it. Should you have any questions, Sydney Water's contact officer for this matter is Rebecca Baldwin

Yours sincerely

Roch Cheroux  
Managing Director

## Sydney Water's recommendations to the Productivity Commission's Issues Paper on National Water Reform

- Urban water should be a focus for the NWI. The NWI can provide strong **policy leadership** for states and the water sector.
- Provide national guidance on how water planning can better embed **resilience** (at the regional, city and local levels) and provide outcome statements for resilience.
- Renew support for putting “**all options on the table**” in supply planning to encourage states to continue with a more open and integrated approach to water planning.
- Strongly encourage **integrated water planning** so jurisdictions and utilities can identify and deliver the economically efficient mix of water supply, wastewater and stormwater services that maximise the net benefit to the community, customers and the environment.
- Define the **water cycle, environmental and community service outcomes** that are a legitimate aspect of urban water management and service delivery.
- Provide **national guidance on the costs and benefits** associated with water services. Develop a nationally consistent framework for benefits valuation. Continuing work already commenced by states and NGOs, **develop best practice approaches on economic assessment**, and inclusion of well-quantified social benefits, including upstream and downstream costs and embedded resources.
- Review and **update National Performance Reporting**. Consider current drivers including urban waterway health improvements and the United Nations' Sustainable Development Goals when establishing indicator categories.
- **Update guidance on water sharing issues**, including the importance of setting environmental, quality and flow goals when developing water plans. Provide leadership on how entitlements planning in catchments affected by urban development better reflect issues such as increased stormwater flows and volumes of wastewater discharges.
- Renew action to **include the voices of Australia's First Peoples on water policy** at Federal and state levels so they can meaningfully participate in water decisions (at the earliest opportunity). Aboriginal water values, including needs and cultural knowledge must be reflected in water policy, management and allocations.
- Provide direction for **improved coordination among regulators**, aligning best practice regulation and pricing with NWI principles. Renew action on **price signals and customer support** to drive efficiency improvements.
- Support utilities conducting a baseline level of investigation, activity and investment in **economic water conservation options**.
- Well defined **roles and responsibilities** should embed the **state-owned corporation model** to ensure defined water cycle, environmental and community outcomes are met efficiently.