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National Water Reform 2020
Productivity Commission
Locked Bag 2, Collins St East
Melbourne VIC 8003, Australia

Goldenfields Water – Submission to the Productivity Commission National Water Reform Inquiry 2020

Thank you for the opportunity to provide input into the National Water Reform Inquiry 2020.

Goldenfields Water County Council (GWCC) is a NSW Local Government regulated water utility serving the Riverina and South West Slopes region of NSW. GWCC supplies water to customers within its area of operation (22,526km²), which covers or crosses the boundaries of Local Government Areas (LGAs) of Bland, Coolamon, Junee, Temora and limited parts of the LGAs of Narrandera, Carrathool, Lalchan, Cootamundra-Gundagai, Wagga and Hilltops. The Wagga supply scheme is provided as a minor bulk supply of water to Riverina Water County Council.

GWCC's current areas of operation expand across ten (10) LGA's which cross three NSW Joint Organisational areas (RAMJO, RIVJO & CRJO) whereby it is deemed as a non-voting associate member to the RIVJO.

GWCC believes that there has been a vast improvement since the introduction of the National Water Initiative; however there has been a stagnation of improvements and lack of continual improvement process to govern the ever changing conditions within the water sector. Current concerns are also emerging around backsliding of previously delivered reforms.

GWCC has summarised some of our current concerns below from the perspective of the Local Water Utilities (LWU) sector of NSW.

1. Information provided or utilised for informing future strategic directions

GWCC raises concerns over previous work that has been undertaken in order to advise reform/regulation/policy decisions or directions. In particular the following reports from Infrastructure Australia and the National Performance Reporting (NPR) data:

- Australia Infrastructure Plan 2016,
- Reforming Urban Water 2017,
- Infrastructure Australia Audit 2019,
- National Performance Reporting data

GWCC can advise that the data referring to local water utility management within the NPR is either incorrect, very limited or not available. In most circumstances the data utilised is provided through the National Performance Reporting Framework where only 85 utilities provide data on a National scale. Within NSW, this data is gathered through the State Governments LWU performance reporting mechanism where over 400 performance indicators are reported on each year via 89 LWU's. Of these 400 indicators the NPR requires access to only 166 indicators.

Infrastructure Australia – Reforming Urban Water 2017 Report, provided the below statement:

Despite the importance of providing safe, reliable and efficient services to small towns, rural communities and remote areas, tracking expenditure and benchmarking the performance of smaller regional utilities is not possible. Where monitoring of expenditure and performance does occur, the results are not always published. Utilities with fewer than 10,000 connections are not included in the Bureau of Meteorology's National performance report, and those utilities that do report often provide unreliable and inconsistent data.

Reported information from the State Govt to other agencies such as BOM for the NPR, has been insufficient or neglected at times and this has posed a significant reputational problem for LWU's within NSW.

Data management and provision of appropriate information needs to be considered by all levels of government and the resourcing of such functions needs to accommodate the requirements of the industry and inter-agency access to applicable data. Meaning sufficient and competent resourcing is required to manage this critical function and accountability needs to be made to ensure the data is measurable.

Of specific concern, is the recent release of the NSW Productivity Commissions "Kickstarting the Productivity Conversation" White Paper. This is of a major concern to GWCC and the LWU's of NSW, as the document continually reflects the NPR data instead of the State Govt's own Performance Reporting Data accessible to it. This either indicates that the NSW Benchmark Reporting data is not reliable or that access to the information is not easily accessible, or the interagency data sharing arrangements are not functional.

Goldenfields Water believes that a single source of truth is required at a national level and performance KPI's need to be standardised, regulated across all urban water operations (regardless of size) and be measurable to ensure that benchmarking can be undertaken. Goldenfields believes that if a utility is in the business of supplying and managing drinking water services, then there should be no exemption from reporting obligations, regardless of size.

A digital utility strategy is necessary for the ongoing measurable reporting obligations of the urban water sector. For example, items such as production/extraction information is very easily

automated and GWCC strongly believes that Internet of Things (IOT) platforms can remove significant resourcing burdens on LWU's when done right. A Digital Transformation strategy should be delivered at a national level for both state and local governments to accommodate.

The roles and responsibilities of the NSW Government agencies need to be better coordinated and more accountable for managing this important information.

The results of the of National Urban Water Utility Performance Reporting Framework 2019 Review, is yet to be released; however, GWCC did provide input into this submission and also attended the workshop held in Sydney 2019. It would be recommended to review the results surrounding the governance, funding and resourcing recommendations.

2. Utilisation and Function of NSW Joint Organisations for Water and Sewer Operations

GWCC embraces and encourages the utilisation of a regional vision for the provision of water and sewer operations. This provides greater efficiencies in the long term and more appropriate scale and capacity to maintain appropriate levels of service to regional customers.

NSW has recently introduced an additional layer of governance into the local level by the creation of Joint Organisations (JO). GWCC believes that JO's may provide a great mechanism for strategic discussion and input across a regional base; however, JO's are in no way resourced to manage regional projects or undertake the management of any LWU functions.

Regional projects and utility operations for water and sewer require specialised resources through scale and capacity. JO's are limited in their resources across the broader spectrum of general purpose council operations and are in no way specialised for water and sewer within Regional/Rural localities. It will be very difficult to instil accountability through a JO. LWU operations require a 'champion' to address critical needs for regional and rural communities and require scale and capacity to ensure the levels of service provided are affordable for customers in the long term.

As advised above, GWCC covers an area of operation that embraces three (3) JO localities and is a non-voting member for RIVJO. GWCC believe that the County Council model for LWU operations are effective and have a proven record for efficient operation within the Regional extents of NSW. Additionally, County Council Board Members are provided through the same councils represented on a JO, thereby making the JO a duplication of regional discussions for water and sewer operations and could be deemed an unnecessary provision of governance.

GWCC believes that the only hindrance in governing under the county council model is the urgent need for regulatory reform in NSW.

3. Legislative Reform

GWCC believe that the ownership of LWU's in NSW is not the key factor limiting efficiency and effectiveness as suggested by previous reports for the urban water sector. Rather, it is the water industry regulatory framework and state agency structure that LWU's operate under in NSW.

Despite a review of the NSW Local Government Act in 2013, the powers and duties of a Local Water Utility under the NSW Local Government Act (and other Acts) have not been reviewed and updated.

GWCC support the views provided by the NSW Water Directorate, whereby the consideration for the efficient and effective operation of LWU's is delivered through a consistent approach across NSW. The current LWU regulations and guidelines are too prescriptive and require an overhaul to align with greater flexibility and control for LWU's to ensure more appropriate performance levels can be achieved.

In addition, GWCC raises concerns that LWU's do not have the same control or powers to instil appropriate behaviours regarding water theft and protection of water supply infrastructure/operations from Telco's or Power companies. The State needs to support LWU's in being able to protect their operations through legislative powers and ensure that LWU operations are seen as critical infrastructure.

GWCC strongly believes that the creation of a new national reform body be developed to provide national leadership and direction, address inter-jurisdictional issues, and provide greater efficiencies in terms of measurable monitoring of the urban water sector whereby a single source of truth can be achieved for access to transparent data.

A new governance framework is required to strategically align all three levels of government. This will allow LWU's to operate under a consistent approach with other industry operations and remove any unnecessary regulation and/or reporting which currently exists. Ideally, GWCC believes that an appropriately combined Water Management Act and NSW Local Government Act for Water & Sewer operations will help achieve this.

4. Water Sharing Plans

GWCC is in a very favourable location regarding its current water sources in terms of dealing with drought conditions; however, it is the prescribed licensing conditions through the Water Sharing Plans and our current Proclamation that may obstruct our ability to operate and provide future demands of urban water operations.

GWCC believes that the State needs to provide greater long term guidance for LWU's of where access to appropriate water will come from to meet growing demands on urban water access and infrastructure and how this access can be obtained.

GWCC and Riverina Water County Council share access to the Mid Murrumbidgee inland alluvial aquifer at Wagga where our regulated share units are combined and then reduced access is regulated via Long Term Average Annual Extraction Limits (LTAAELs). GWCC is coming close to exhausting its share of the LTAAEL and is being managed at the local level

by agreement with RWCC. Should regulations insist that two separate LWU's supplying competing locations for source water be required to manage this between themselves?

GWCC have been verbally advised that any demand breach of an LTAAEL will require the relevant agencies to increase the amount of allocation for the utility upon review of their five (5) year average. The share units required will then be taken from lower security licence holders to accommodate this demand.

Whilst this has been verbally indicated to GWCC, the regulations governing the diversion limits and LTAAEL do not accurately reflect this. The regulations identify that an overuse will most likely require a reduced allocation for the following year. GWCC believes that greater detail is needed in the regulations governing LWU's and how their security of yield will be accommodated at the licencing level of operations.

Current Integrated Water Cycle Management (IWCM) processes require LWU's to undertake their own security of yield analyses in order to submit a conforming strategy. GWCC questions the need for each local water utility to undertake this extensive analyses when this information should already be at hand of the State government who is supposed to be monitoring and regulating this. GWCC would expect that the State or National levels of government would be able to provide a clear unit share amount of entitlement and allocation for the short to long term requirements of the urban water sector. GWCC has completed an assessment of its sources of water to accommodate its IWCM process; however, concerns need to be raised as to why this is required to be completed at the local level.

5. Address Red Tape

As mentioned above, over prescribed guidance/regulation and under resourcing of critical areas within the State of NSW are obstructing performance and reputations of LWU's to deliver on major improvements.

The issues and concerns raised around Section 60 approval processes and Integrated Water Cycle Management Strategies from LWU's in all previous inquiries or reviews, highlight the immediate need for change. They are exhausting processes and are usually controlled via a limited or sole resource within the state department in order to obtain approval. The IWCM process appears to have become more of a gateway opportunity for the state to size infrastructure and control funding provisions rather than its original intent of ensuring a high level governance framework for LWU's. Current regulation of the IWCM is very prescriptive and deemed to be a micro-management event on the operations of each utility.

Any advance in new technologies or processes are limited in approval and willingness for investment in research and development for long term gains is non-existent at the state level.

GWCC believes that guidance should be provided through long term key performance indicators developed at the national level; however, flexibility in achieving these goals need to allow progressive improvements across the industry, and not be obstructed by such over-prescriptive requirements that can hinder continuous improvement processes and access to funding opportunities.

6. Local Planning Issues

GWCC is a strong believer in the principle of IWCM, as are most LWU's within NSW; however within the realms of current local government operations, GWCC raises concerns of competing interests and control throughout the water cycle process. True integration of water cycle management can only be achieved where appropriate control can be maintained and there is accountability of the process.

As a County Council, we are unable to control or help manage appropriate service requirements through a development application process. Currently the only controls that are in place for the provision of future demand requirements are by way of Service Level Agreements or Memorandums of Understanding with our Bulk Council customers. GWCC would like to see County Councils gain stronger input and control of approval processes for the adequate timing and provision of services to meet future needs.

Our Bulk Councils have recently applied water restrictions for their urban water services due to either internal policy decisions or a potential failure to meet demand due to a capacity shortfall in reticulated infrastructure. During these times GWCC has not needed to impose any restrictions in accordance with its policies and were requested/questioned by the constituent councils to impose them on a political bases. GWCC feels that it should not be obliged to facilitate any hindrance in its operations due to political pressures. A need for better governance and consistency for imposing water restrictions should be undertaken at a national level which will help drive improvement for operational performance of water utilities.

Current concerns surrounding “fast tracking” economic development projects or reactive infrastructure investments may see an unnecessary rise in inadequate infrastructure or ongoing costly increases to typical residential bills. The current release of the NSW Productivity Commission's Review of Infrastructure Contributions in NSW Issues Paper, clearly highlights the push occurring for the removal or reduction in developer servicing charges to accommodate growth. These costs rather than be borne by developers will therefore be attributed to the ongoing rise of Typical Residential Bills (TRB's). GWCC is a strong believer in user pays principles and rejects the cross-subsidisation requirements seeking to be imposed on communities by developers. This encourages bad investment decisions and significantly increased operational costs borne by communities. Best practice principles is an indicator that appears to be backsliding from the National Water Initiative (NWI) and requires an urgent release of new guidance.

As detailed above, GWCC is a County Council specialised and dedicated solely to water supply services. The delivery of water infrastructure is currently being achieved successfully and GWCC is even expanding its water supply operations for rural production. This is being undertaken via an additional 187km of new water distribution network which will be completed over the next three (3) years as part of the Mandamah Water Supply Scheme. This project is being delivered in-house and without any funding being awarded via the State or Commonwealth Governments. GWCC would like to participate in greater consultation and collaboration with the state federal government in helping us achieve greater regional outcomes and funding provisions. The concerns GWCC have are that the IWCM process appears to be controlling funding activities very inconsistently and does not cater for general support in investment opportunities to “crash” or expedite major infrastructure projects.

GWCC is a strong believer in providing the best value for money services to its communities and believes that water and sewer operations should be delivered as an integrated service via LWU's to remove any cross-subsidisation of services. This will provide customers a true reflection of cost and provide greater control for integrated water cycle management.

7. Funding Reform

GWCC, strongly believes that significant reform needs to occur for funding provisions of water and sewer within NSW. Historically, funding of water and sewer projects within NSW have been done reactively or inappropriately for urban water operations. Bad behaviour or lack of action from some LWU's has been rewarded, and well managed operations have not been able to access or gain any funding as they are seen to be in less of a need. The IWCM process appears to be hindering access to funding appropriate infrastructure identified at the local level and those LWU's whom conform to the current IWCM process are left without a priority access to funds.

Current applications of risk based priorities for LWU's have been undertaken by the State and these priorities have not aligned with a majority of local community priorities. This highlights the lack of strategic alignment between the levels of government and the need for more control at the local level to influence national reform. The state should only provide guidance and support in delivering urban water operations and should not be interfering at a micro-management level of operation such as selection and sizing of infrastructure for LWU's.

Additionally, an outcome from the previous millennium drought highlighted significant deficiencies in water supply operations across the urban water sector. Funding provisions available for LWU's to achieve these projects were obstructive and were detailed around meeting a benefit cost ratio rather than helping deal with actual security of yield and water quality problems. All levels of government need to acknowledge that LWU's have historically been ran at a lower level of service than what is now required by regulators and their customer base. Increased regulation of urban water services have and continue to expand for good reason; however funding from the state or national level has not supported this increase adequately or efficiently and LWU's have had to reactively provide significant resources in

achieving a change in operational direction. Funding for backlog asset renewal projects should be supported to help LWU's close the gap on improving levels of service.

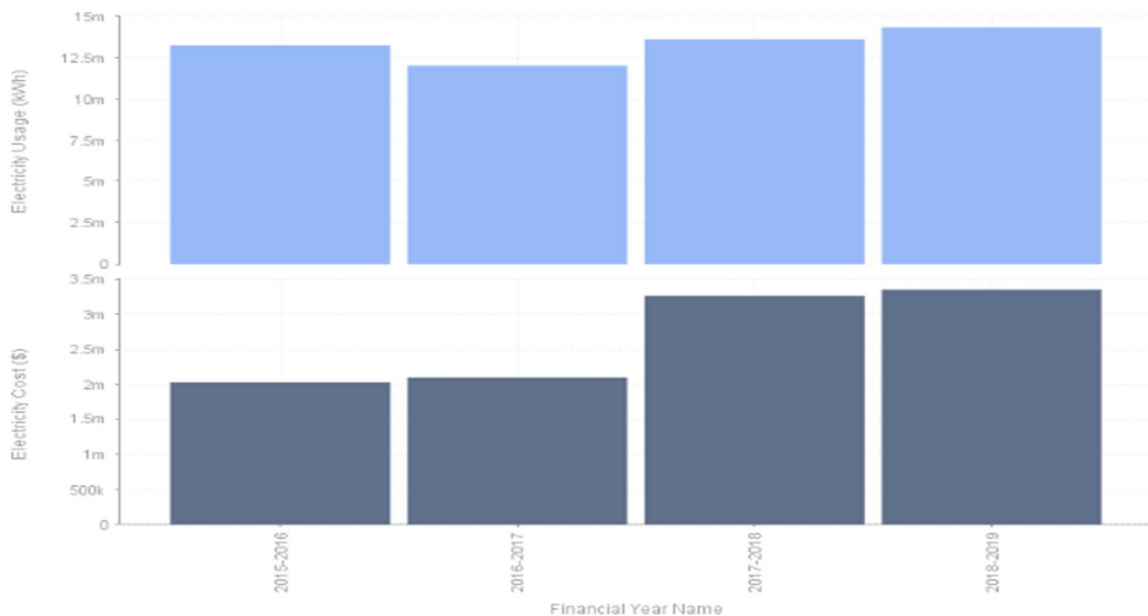
Additionally, GWCC raises the concerns that NSW County Councils have not achieved any significant State funding provisions and where it is entitled to, it can only achieve a maximum of 25% in funding compared with other LWU's 50% or more. GWCC would like to understand how it can better access funding opportunities to help facilitate a more expedient delivery of its major capital works delivery program over the next 10 years. In addition to this, a greater understanding as to why County Councils are limited in funding amounts when compared to general purpose councils? Is this a reflection of current cross-subsidisation amounts for water and sewer operations?

8. Energy Imposts

Energy costs were 16% of Goldenfields total Operating costs for the 2018/19 financial year. Around 40 to 50% of this cost was made up of Network Charges. Council has a major distribution network and pump stations to transport water over huge distances and varied terrain. Council is limited in its options to invest in more efficient infrastructure given its requirement to pump water from its source to its western and north western townships.

Council's costs for energy between 2016/17 financial year to the 2017/18 financial year were increased by over 40% (or 6% of total operational expenditure) due to a simple change in contract and market price fluctuation at the time. This equated to around an additional \$1million per year for the same energy consumption, or \$91 per connection on the Typical Residential Bill to recover the required increase in operational expense. The below graph illustrates the usage vs cost provisions for energy when a change of contract occurred.

Annual Electricity Usage and Cost



The Urban Water Industry is facing major issues with controlling its Typical Residential Charges due to cost increases imposed by the energy sector. Additionally it should be noted that in NSW, Large Solar Renewable projects has increased by 700% over the past five (5) years as per the below table from the Department of the Environment and Energy website.

Table O2
Electricity generation in New South Wales, by fuel type, physical units

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18(e)
	GWh	GWh	GWh	GWh	GWh	GWh	GWh	GWh	GWh	GWh
Non-renewable fuels										
Black coal	67,650.3	64,398.6	60,732.2	60,453.7	56,798.6	55,819.5	52,582.2	55,334.5	55,967.1	57,151.5
Brown coal										
Natural gas	2,445.1	4,681.3	4,742.7	4,212.1	5,168.7	5,528.3	4,528.4	4,628.6	3,330.8	3,039.5
Oil products	24.7	5.8	61.4	42.1	190.9	170.7	284.3	289.5	321.6	415.5
Other a	336.6	493.6	266.1							
Total non-renewable	70,456.7	69,579.1	65,802.4	64,707.9	62,158.2	61,518.5	57,374.9	60,252.6	59,619.5	60,606.5
Renewable fuels										
Biomass	674.7	681.1	613.3	822.3	838.8	882.3	1,023.2	1,046.3	1,102.7	1,164.4
Wind	41.3	432.5	530.1	697.6	832.6	899.2	1,376.0	1,898.8	1,872.0	2,448.7
Hydro	3,173.7	3,820.8	5,267.0	3,792.8	5,651.6	4,213.1	3,113.7	5,191.0	6,139.1	4,844.6
Large-scale solar PV						10.6	60.2	399.5	567.6	700.0
Small-scale solar PV	36.3	119.2	526.3	657.7	857.6	964.9	1,211.2	1,461.9	1,706.8	2,095.8
Geothermal										
Total renewable	3,926.0	5,053.6	6,936.7	5,970.4	8,180.6	6,970.1	6,784.3	9,997.6	11,388.3	11,253.5
Total	74,382.7	74,632.7	72,739.1	70,678.3	70,338.8	68,488.6	64,159.2	70,250.2	71,007.8	71,860.0

Source: https://www.energy.gov.au/sites/default/files/2019_aes_table_o_march_2019.pdf

This work is being driven/facilitated by Local Government in order to minimise the impost of energy costs over the next 10 to 15 years. These independent or Power Purchase Agreement projects are compensating for the failure of the National Energy Sector which was removed from Local Government hands in the 1990's. It now appears that our core business objectives as a local government water utility also requires us to become an energy producer/supplier to help manage these operational deficiencies. This work is a diversion for improving our existing water and sewer operations and we need to be concentrating on core business.

Goldenfields Water raises these concerns specifically due to the previous Infrastructure Australia's - Infrastructure Plan 2016, Reforming Urban Water Plan 2017 and the Infrastructure Australia Audit Report 2019. Specifically the Reforming Urban Water Report 2017 provided that:

Recommendation 6.10

Governments should define a pathway to transfer state-owned metropolitan water utility businesses to private ownership to deliver more cost-effective, customer-responsive services.

Noting the impost the Energy Sector is currently having on the States Local Water Utilities due to the transfer of ownership of the Poles and Wires from Local Government in the 1990's, we believe the State should protect its interests through more appropriate reforms than what has occurred in the past. In addition to this, we would like to see the State and Federal Governments push an energy specific agenda in driving these imposts down for local water utilities whom are at the mercy of the energy market and seem to be subsidising their failures to accommodate long term measures of appropriate energy supply.

9. Utilisation of and Innovation of New Technologies.

GWCC, can advise that they are a big believer in innovation and progressive development of LWU's in achieving new technologies for more efficient water supply operations and for continual improvement of customer focussed services.

GWCC have installed Automated Meter Readers (AMR) on all of its retail water connections since 2014. This information has since been utilised to provide customers their daily water usage data direct to them via a website and now even via mobile platform. The mobile platform was the first of its kind and offers push notification and alarm services to help customers control their water usage and costs.

GWCC would like to see the State and Federal Govt's provide some form of guidance and future strategy in what technologies should be utilised within the LWU industry in the short to long term. A regulatory framework and roadmap should be driven for digital transformation of the industry to ensure better access to data and customer service delivery can be achieved.

10. Key challenges facing the next phase of National Water Initiatives

- **Infrastructure cliff** – old pipeline assets of differing materials are now creeping to an end of life condition at the same time. Significant renewal and planning challenges need to be identified and funded as a priority
- **Asbestos materials** – Both on an end of life scenario as well as how the materials need to be treated when renewal/replacement projects are in place. Most LWU's will leave in-situ where possible as costs become unprecedented when doing large scale renewals which would have never been planned for and therefore recovered in historical income charges.
- **Health Based Targets** – final targets will need to be identified and reported against; however the cost of meeting these new targets should be included into a National/State funding shortfall.
- **Skilled resourcing** – With the ever increasing conditions placed upon Levels of Service and public Health Based Targets, the upskilling and increase in skilled staff needs to assured. Technology is ever evolving and operational staff need to maintain levels of qualifications/competencies in ensuring public supply of water or sewer operations are being maintained. Educational packages, trades and degrees should be developed now for future needs, specifically areas of high risk (regional/rural) that may not have access to these resources. The Urban water industry is in critical need of competent Registered Training Organisation (RTO) and a national training centre.

The NSW Water Directorate has identified the following issues in Vocational Education and Training (VET) in regional water Current issues:

- The National Water Training Package (NWP) for accredited water industry training has been updated in 2020.
- TAFE NSW is presently the only Registered Training Organisation (RTO) in NSW able to deliver the NWP.
- TAFE NSW advise that it is unlikely to make the Certificate II Water Industry Operations qualification available for new enrolments in 2021. This will remove an important career pathway for water industry trainees.
- TAFE NSW also advise that delivering all modules of the Certificate III in Water Industry Operations is not financially viable. As a result, it is unlikely that water



treatment process training and water networks training will fulfil NSW water industry training requirements. Accredited training will not be available either for specialist water industry qualifications in Liquid Trade Waste regulation, or Dams & Catchment specialisations.

- TAFE NSW do not intend to offer the higher levels of accredited training in Certificate IV or Diploma of Water Industry Operations for the same reason as not being financially viable.
- The NSW Department of Planning, Industry and Environment (DPIE) are key trainers of water and sewerage treatment operators, delivering accredited training through auspicing arrangements with TAFE NSW. DPIE advise that: 'For the 2020 calendar year the courses will not be offered as a Nationally Accredited course (i.e. no Certificate III or IV courses). This is due to changes introduced in 2019 relating to third party agreements with registered training organisations.

We would like to conclude by thanking you for the opportunity to provide input into the Productivity Commission National Reform Inquiry 2020 and acknowledge that action is well overdue. We would welcome any opportunity to discuss the matters raised within this submission and can be available at anytime.

Regards

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