

**Submission  
No 2**

**EXAMINATION OF THE AUDITOR GENERAL'S PERFORMANCE AUDIT  
REPORTS JUNE - DECEMBER 2020**

**Organisation:** Sydney Water

**Date Received:** 20 September 2021

20 September 2021

Mr Greg Piper MP  
Chair  
Legislative Assembly  
Public Accounts Committee  
Parliament House  
Macquarie Street  
Sydney NSW 2000  
[PublicAccountsCommittee.PAC@parliament.nsw.gov.au](mailto:PublicAccountsCommittee.PAC@parliament.nsw.gov.au)

Reference: D21/44251

## **Performance audit report – Water Conservation in Greater Sydney**

Dear Mr Piper,

Sydney Water is pleased to provide a submission outlining our actions in response to the NSW Auditor General's performance audit which examined whether water conservation initiatives for the Greater Sydney Metropolitan area are effectively investigated, implemented and supported.

### **Initiatives to strengthen our Water Conservation Program**

Sydney Water recognises the important role we play in delivering a Water Conservation Program that is responsive and adaptable within the context of a growing population and the effects of climate change.

Greater Sydney has experienced a combination of extreme weather events in recent years including prolonged drought and devastating bushfires, to flooding rains. As the drought took hold throughout 2019, the rapid rate of decline in water storages was unprecedented and in February 2020 the rate of increase in water storages was the greatest observed in over a decade, resulting in complex operating conditions for Sydney Water.

We acknowledge a need, and have been taking the required steps, to strengthen our water conservation program so we are in a better position to respond to unexpected challenges in the future. Our investment includes securing \$10 million/year for our ongoing water efficiency program, including program development and pilots between 2020-21 to 2023-24. This is in addition to \$3.5 million in 2020-21 for ongoing water wise communications campaigns to promote long-term, sustainable water use and behaviours.

Some of the key initiatives include:

- The establishment of a Water Conservation Portfolio Control Board to oversee the Water Conservation Program.

- Implementing flexibility that allows water conservation activities to be ramped up as dam levels drop, including funding sources and appropriate resourcing so the response can be quicker. This will be captured in the Greater Sydney Drought Response Plan.
- Improved governance and dedicated resources to identify and develop recycled water opportunities that make economic sense and are aligned to Sydney Water and NSW Government strategic aspirations.
- Reviewing our leak management activities to improve effectiveness through a more integrated approach.

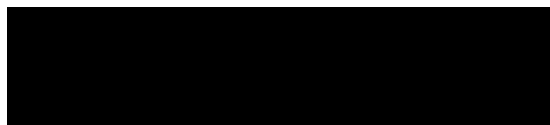
The audit report provided two recommendations that were specific to Sydney Water and one for which we are providing support to the Department of Planning, Industry and Environment. I am pleased to advise that most of the recommended actions have been completed. The status of each recommendation is provided in the attached appendix.

#### **Feedback on the effectiveness of the audit and costs**

Thank you for requesting feedback on the audit process and costs. Sydney Water found the audit process to be professional and effective; the Audit Office staff took considerable care to understand the water conservation initiatives leading to comprehensive and well considered recommendations. As stated above, the audit resulted in a renewed focus on Water Conservation including improved governance of the program, better Executive oversight and improved working relationships with our partner agencies such as DPIE. The Sydney Water costs of participating in the audit and monitoring progress are estimated to be \$35,000. This includes the costs of the regular updates to the Executive and Board Committees on our progress against the actions. We believe that this has been good use of resources and has led to a more effective program overall.

If you have any questions regarding this information, please contact Ms Penny Joseph, Head of Resilience and Climate Change Adaptation on [REDACTED].

Yours sincerely

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Roch Cheroux  
Managing Director

**IMPLEMENTATION OF RECOMMENDATIONS**  
**Water Conservation in Greater Sydney**

**Sydney Water**

RECOMMENDATION		ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBLE (Section of agency)
1	The Department should develop a clear policy and regulatory position on:	Accepted	a) water efficiency - reducing water demand through programs that aim to increase water efficiency and change behaviour.	By July 2021	Sydney Water understands that DPIE has completed this action and provided commentary on it in its submission on August 31 <sup>st</sup> .	DPIE Water Group
			b) potable water reuse - engaging with the community to understand whether highly treated recycled water can be considered as a future option for drinking water.	By July 2021	Sydney Water understands that DPIE has completed this action and provided commentary on it in its submission on August 31 <sup>st</sup> .	DPIE Water Group
			c) water recycling - addressing reported barriers such as developer charges and improved access to planning and land release processes for private water utilities.	By July 2021	Sydney Water understands that DPIE has completed this action and provided commentary on it in its submission on August 31 <sup>st</sup> .	DPIE Water Group
			d) stormwater harvesting - enhancing cooperation between State and Local Government, Sydney Water and private water utilities.	By July 2021	Sydney Water understands that DPIE has completed this action and provided commentary on it in its submission on August 31 <sup>st</sup> .	DPIE Water Group
2	The Department should establish clear mechanisms to ensure water conservation is treated explicitly in the management of Greater Sydney's water resources, including:	Accepted	a) establishing formal governance arrangements to assist in developing and implementing Sydney Water's planning and reporting for water conservation.	By July 2021	Sydney Water understands that DPIE has completed this action and provided commentary on it in its submission on August 31 <sup>st</sup> .	DPIE Water Group
			b) establishing roles and responsibilities for water conservation research, planning and implementation, and engaging Sydney Water, IPART and other agencies in this activity.	By July 2021	Sydney Water understands that DPIE has completed this action and provided commentary on it in its submission on August 31 <sup>st</sup> .	DPIE Water Group

RECOMMENDATION		ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBLE (Section of agency)
			c) evaluating progress with the Greater Sydney Water Strategy, including annual reviews of the level of investment (by the Department and Sydney Water) in water conservation.	By July 2021	Sydney Water understands that DPIE has completed this action and provided commentary on it in its submission on August 31 <sup>st</sup> .	DPIE Water Group
3	The Department should determine and implement a practical mechanism for funding water conservation initiatives in Greater Sydney including:	Accepted	a) ensuring the Climate Change Fund is being used to effectively fund water saving initiatives.	By July 2021	Sydney Water has supported DPIE to complete this action and will contribute \$6 million per annum to the Climate Change Fund from the next price determination in 2024.  Sydney Water understands that DPIE has provided further commentary on this in its submission on August 31 <sup>st</sup> .	DPIE Water Group
			b) identifying and assessing other funding mechanisms for water conservation, including resourcing for research and development.	By July 2021	Sydney Water has supported DPIE to complete this action through involvement in collaborations with Land and Housing Corporation and the Department of Education. Additionally, a joint bid to the Digital Restart Fund was successful, funding a smart metering project and greywater reuse trial. Another joint project is currently being considered by the Digital Restart Fund.  Sydney Water understands that DPIE has provided further commentary on this in its submission on August 31 <sup>st</sup> .	DPIE Water Group
4	The Department, working with Sydney Water, should assess the viability of current and future water conservation initiatives, including:	Accepted	a) commissioning a detailed options study to inform a water conservation program.	By July 2021	Sydney Water has supported DPIE to complete this action, working collaboratively with its consultants to develop a best practice water efficiency framework.  Sydney Water understands that DPIE has provided further commentary on this in its submission on August 31 <sup>st</sup> .	DPIE Water Group
			b) applying an evidence-driven method to assess water efficiency and leakage management initiatives, and water recycling schemes.	By July 2021	Sydney Water has supported DPIE to complete this action, working collaboratively with its consultants to review the Economic Level of Water Conservation method and develop a new Water Efficiency Assessment Approach.  Sydney Water understands that DPIE has provided further commentary on this in its submission on August 31 <sup>st</sup> .	DPIE Water Group

RECOMMENDATION		ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBLE (Section of agency)
					See more information on Sydney Water improvements in action 5b.	
			c) reviewing BASIX including water savings targets, program design and implementation.	By July 2021	Sydney Water is committed to work with DPIE to progress the use of BASIX and National Australian Built Environment Rating System (NABERS) to encourage more efficient use of water. Sydney Water will consider requests from DPIE for support such as financial support, strategic analytics and other support as requested.  Sydney Water understands that DPIE has provided commentary on this action in its submission on August 31st.	DPIE - Planning and Assessment
5	Sydney Water should develop and implement a rolling detailed five-year plan for water conservation with clear objectives that, at a minimum meets the requirements of the Greater Sydney Water Strategy and its operating licence, including:	Accepted	a) establishing baseline funding and resourcing for water conservation including research and pilots	July 2021	<b>Status: Completed</b>  Sydney Water has baseline funding for water conservation and behavioural change. A research and innovation portfolio have been established with details of all water conservation research and pilots outlined in the 2020-21 water conservation annual report. If required, this baseline program will adapt to support the NSW State Water Strategy and Greater Sydney Water Strategy (when these initiatives are released).	Sydney Water
			b) reviewing, in conjunction with IPART, the ELWC methodology and the way it is being applied	July 2021	<b>Status: Completed</b>  Sydney Water has undertaken a review of the implementation of ELWC for the 2021-22 forward program. Additional social and environmental factors were incorporated to better reflect benefits of each water conservation initiative (ie a reduction in energy, carbon, and wastewater treatment demands). These changes have been shared with IPART and will be discussed during the annual operation licence audit interviews. Sydney Water will continue to monitor, evaluate and adapt the implementation of ELWC as appropriate.	Sydney Water

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				See action 4b for more information on The Department's review on water efficiency assessment approaches. Note IPART has been engaged in this review.	
		c) developing and maintaining relationships with sector specialists, businesses and government	July 2021	<p><b>Status: Completed</b></p> <p>Sydney Water participates in several industry associations and works in collaboration with Government and standards committees in order to learn, share and combine efforts to create greater impact. This includes:</p> <ul style="list-style-type: none"> <li>• Water Service Association of Australia</li> <li>• Australian Water Association</li> <li>• International Water Association</li> <li>• The Department</li> <li>• Standards Australia/ WELS</li> <li>• International Standards Organisation</li> <li>• ISLE Utilities.</li> </ul> <p>Additionally, Sydney Water co-ordinates customer engagement &amp; information sessions with businesses &amp; business representatives to share development in our water conservation program and are working in collaboration with the business sector to identify potential recycled water opportunities.</p> <p>Sydney Water has continued engagement with industry representatives from sectors most impacted by water restrictions and will look to build on this in the coming year.</p>	Sydney Water
		d) detailing how its individual initiatives will be implemented.	July 2021	<p><b>Status: Completed</b></p> <p>The 2020-21 water conservation report details how ideas are identified and progressed into the forward program. It also outlines how each initiative has been implemented, whether the program needed to adapt over the previous year and opportunities to improve implementation in the coming year.</p>	Sydney Water

	RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBLE (Section of agency)
6	Sydney Water should improve its annual reporting on its water conservation that at a minimum meets the requirements of its operating licence and provides clear and evidenced information on:	Accepted	<p>a) water savings for each initiative for the previous five years, how these compare with forecast savings and how these savings are verified</p> <p>b) expenditure on each initiative for the previous five years</p>	July 2021	<p><b>Status: Ongoing</b></p> <p>Sydney Water has improved its 2020-21 Water Conservation annual report which meets the requirements of the operating licence and provides clear and evidenced information on water savings and expenditure for each initiative. This includes incorporating a broader range of initiatives being delivered across the business that contribute to water conservation.</p> <p>Over 2020/21 and 2021/22, a resource has been dedicated to reviewing and validating the methodology used for estimating water savings from water efficiency programs. Additionally, Sydney Water is currently implementing an Enterprise Analytics program to provide a central data lake for enterprise information, water consumption data is the first deliverable from this program – due in Q3 2021/22. The 2020-21 Water Conservation annual report was developed in consultation with the Internal Audit team. It was identified that actions (a) and (b) associated with this recommendation, require historical program data that is no longer available, reliable or representative of historical water conservation investments and efforts.</p> <p>Data sources and assumptions have been clearly documented for the 2020/21 Water Conservation Report. This approach will continue moving forward and enable Sydney Water to progressively include this historical information starting from 2021/22. This approach still meets the requirements of Sydney Water's Operating Licence and Reporting Manual, which do not require historical expenditure or water savings to be reported.</p>	Sydney Water
			c) how customer interaction and education initiatives are encouraging behavioural change	July 2021	<p><b>Status: Completed</b></p> <p>The 2020-21 water conservation report outlines initiatives that encourage behavioural change including:</p>	Sydney Water



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				<ul style="list-style-type: none"> <li>WaterFix programs that engage, educate and support residential and non-residential customers in the adoption of behaviours, products and services that reduce their potable water demand.</li> <li>Education initiatives that leverage off the formal education sector to help deliver water literacy understanding among young people</li> <li>The water conservation campaign, which aims to encourage and educate our community about the need to use water wisely and helps build resilience in our water supply. This campaign is informed by customer research.</li> </ul>	
		d) ongoing water savings from previous initiatives and whether its water efficiency initiatives are focusing on where there is the greatest potential to maximise water savings.	July 2021	<p><b>Status: Completed</b></p> <p>Sydney Water is investing in improving our enterprise analytics which will provide increased visibility on where there is the greatest potential to deliver programs that are economic and maximise focus on the best opportunities for water savings.</p> <p>Sydney Water is currently implementing an Enterprise Analytics program to provide a central data lake for enterprise information. Water consumption data is the first deliverable from this program – due in Q3 2021/22. This new development will allow improved visibility of historical water consumption and an improved platform for targeting water conservation opportunities.</p>	Sydney Water