

Department of Water and Energy
Annual Report 2006–2007



Annual report

2006–2007

The Hon Ian Macdonald MLC

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The Hon Nathan Rees MP

Minister for Water Utilities
Level 13
55 Hunter St
Sydney NSW 2000

30 November 2007

Dear Ministers

I have pleasure in submitting the Department of Water and Energy annual report for the year ended 30 June 2007 for presentation to Parliament.

The report has been prepared in accordance with the *Annual Reports (Departments) Act 1985* and the *Public Finance and Audit Act 1983*.

On 16 October 2007 NSW Treasury approved an extension of time to enable the Department to submit the report by 30 November 2007.

I commend the report to you.

Yours sincerely

Mark Duffy

Director-General

Department of Water and Energy

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About this report

The new organisation

On 2 April 2007 the Governor appointed the Hon Philip Koperberg MP as Minister for Climate Change, Environment and Water, the Hon Nathan Rees MP as Minister for Water Utilities, and the Hon Ian Macdonald MLC as Minister for Energy.

On 27 April 2007 the Department of Water and Energy (DWE) was created, incorporating most of the functions of the former Department of Energy, Utilities and Sustainability (DEUS) and the water-related functions of the former Department of Natural Resources as well as the Metropolitan Water Directorate from the former NSW Cabinet Office.

Some of the functions of the former DEUS, such as the Energy and Water Savings Funds and Action Plans were transferred to the new Department of Environment and Climate Change. The Accredited Service Provider program was also transferred to the Office of Fair Trading.

The Government established DWE to address two of the biggest challenges we face as a State. Reliable access to the basic necessities of water and energy is fundamental to quality of life in NSW. The NSW State Plan addresses these and other issues and sets out the framework for delivery of government services and targets for improvement to guide decision making and resource allocation. The Department has responsibility for a number of the State Plan priorities and this establishes the primary goals towards which our performance is directed.

Performance reporting

A Corporate Plan 2007-2010 has recently been developed which establishes our vision, key result areas (KRA), planned outcomes and key performance indicators (KPI). Although this Annual Report is for the period 2006-07 we have taken this early opportunity to structure the material in accordance with the KRAs and planned outcomes established in that Corporate Plan and to report against the KPIs, where that is feasible, to test their effectiveness in reporting performance. DWE will continue to develop performance measurement and reporting processes to assess how the organisation achieves its agreed outcomes throughout the next reporting year.

Performance 2006–07

Due to our recent formation this first Annual Report describes performance in DWE's water and energy functions from 1 July 2006 to 30 June 2007 and organisational performance from 27 April 2007 to 30 June 2007. Performance in water and energy can be compared to previous Departments' performance in delivering the NSW Government policies. However, continuity of reporting and comparisons with previous years are not possible in matters such as finance and human resources, as DWE has significantly changed its management structure, staffing levels and administration.

Therefore this report describes progress against previously established KPIs where performance data is available. However, benchmarks or data collection methods are still being established for other organisational KPIs.

We expect to be able to fully account for our efficiency and effectiveness in delivering the Government's water and energy programs after completing a full planning and reporting cycle in 2007-2008.

Part 1

Overview

Departmental overview

Who we are

The NSW Department of Water and Energy (DWE) is a general government budget-dependent agency accountable to the NSW Parliament through three Ministers: the Minister for Energy; the Minister for Climate Change, Environment and Water; and the Minister for Water Utilities.

DWE started operating in April 2007 and leads the Government's policy and reform agenda for the water and energy sectors in NSW.

We have a staff of 684 people with a skills base largely in professional policy, regulatory, scientific and technical areas across the full range of water and energy issues. Our staff are based in 45 offices around the State with our head office in central Sydney.

We have a relatively small corporate support unit providing strategic corporate development services with most business transaction-type services being provided by the Department of Commerce through service level agreements.

What we do

DWE provides policy, legislative, regulatory, technical and management advice in relation to water and energy matters to the three Ministers.

DWE works with the water management, energy and urban water industries; government agencies; industry, business, environment and consumer groups; and other stakeholders towards achieving:

- Secure and sustainable allocation of water between communities, industry, farmers and the environment.
- Reliable and sustainable urban water and energy supplies and well managed, efficient and equitable services.

Our services

Key services provided by DWE that contribute to achieving these results include:

- Liaising with other States and the Commonwealth to ensure the interests of NSW are protected in interstate water sharing arrangements
- Preparing statutory plans to share water between users and the environment
- Administering water licences and approvals, assessing resource availability, allocating available water to licensees, monitoring compliance and, where necessary, taking appropriate enforcement action
- Developing and implementing water trading rules to support effective market operation
- Advising on plans and strategies for the protection and enhancement of watercourses, riparian corridors and groundwater dependent ecosystems
- Monitoring and evaluating water resource quantity and quality, and associated ecosystems
- Planning and policy development for urban water industries
- Coordination and review of the Metropolitan Water Plan
- Facilitating water recycling across NSW
- Leadership, guidance and technical assistance in best-practice management, operation and maintenance for non-metropolitan urban water utilities
- Overseeing and monitoring utility performance
- Funding for backlog water and sewerage infrastructure and emergency drought assistance
- Promoting and maintaining competition in energy supply markets
- Development of national energy market frameworks in partnership with other States
- Energy supply and demand forecasting
- Electricity and gas network and licensed pipeline regulation and performance monitoring
- Promotion of renewable energy and efficiency programs
- Implementation of consumer protection strategies for residential and small business energy and urban water customers.

Our Key Result Areas

KRA 1 - Water Management

Planned Result: Secure and sustainable allocation of water between communities, industry, farmers and the environment.

KRA 2 - Urban Water Utilities

Planned Result: Urban water supplies are reliable and sustainable and services are well managed, efficient and equitable across NSW.

KRA 3 - Energy Supply and Use

Planned Result: Energy supplies are reliable and sustainable, services are safe and efficient and vulnerable customers are protected.

KRA 4 - Organisational Capability

Planned Result: Being responsive to stakeholders' needs through the provision of high quality, cost effective services, staff supported and developed appropriately and business capacity improved.

Our vision

Reliable, efficient and sustainable water and energy supply and services for all NSW

Our key clients and stakeholders

Our services are provided to a range of clients, particularly:

- Our Ministers
- The people, communities and environment of NSW
- NSW, Commonwealth, and local governments
- NSW central agencies such as the Independent Pricing and Regulatory Tribunal and Treasury
- Water and energy users
- Water and energy utilities
- The irrigation, urban water and energy industries
- Peak industry and environment groups
- Consumer interest groups

Our values

As individual staff, work teams and as a Department, we seek to:

- **act with integrity** – being ethical, impartial, transparent and honest; supporting a corruption-resistant culture
- **act professionally** – treating colleagues and clients with respect; basing decisions on the best available science; using and producing the best research, data and analysis; being innovative and pursuing excellence
- **work safely** – being amongst the best in health and safety practices and performance
- **work collaboratively** – demonstrating teamwork; developing strong, trusting, cooperative partnerships with stakeholders across government, community and industry
- **focus on client service** - being responsive and accountable; demonstrating commitment to achieving results for communities; meeting standards for quality, timeliness and accuracy
- **promote sustainability** - leading the water and energy policy debate; exploring the full range of solutions in a spirit of open, honest and constructive discussion to generate sustainable water and energy supply and use.

Director-General's review

The challenge we faced in April was to rapidly create an organisation capable of leading the Government's policy and reform agendas for water and energy in NSW. In the short space of time since then we have made significant progress, due to the continuing commitment of the Department's people. This, our first annual report, outlines our progress so far and where we go from here.

Establishing the organisation

Our new Department, established on 27 April 2007, brings together the knowledge and expertise of staff from the former Department of Natural Resources, Department of Energy, Utilities and Sustainability, and Metropolitan Water Directorate, formerly with The Cabinet Office.

The Government established DWE to address two of the biggest challenges we face as a State. Reliable access to the basic necessities of water and energy is fundamental to quality of life in NSW.

I am very pleased that we were able to establish the new agency without disruption to continuity of service delivery. Despite extensive machinery of government changes and a restructure of the agencies, an unqualified independent audit report on DWE's financial statements was delivered.

Focusing on priorities

When DWE commenced, the functional groups of former agencies were maintained as much as possible to encourage a seamless transition and enable work to continue. The diverse support systems such as for human resource, financial and asset management took some time to bring together. Since that time we have undertaken a comprehensive review of DWE's role, priorities and services and the corporate structure required to implement those priorities within the allocated financial resources.

By 30 June 2007 DWE was operating on an interim structure pending the outcome of the more comprehensive reviews. I am pleased to report that DWE has now established final management and organisational structures designed to streamline operations and deliver core functions effectively.

We have also developed a Corporate Plan which sets out our results, planned outcomes and key strategies over the next three years. This Plan will assist us in responding to challenges and meeting the Government's objectives. In particular DWE is the lead agency for the two key priorities for water and energy in the State Plan and a partner agency in a number of other priorities. This places DWE in a key role guiding the future development of the State to secure reliable, efficient and sustainable water and energy supply and services for all of NSW. Meeting State Plan targets will be a challenging priority for DWE, particularly in the context of the current drought, which worsened dramatically in 2007.

Promoting sustainable water sharing and trading

We aim to provide secure and sustainable allocations of water for users and the environment. The National Water Initiative sets out the major requirement to prepare water sharing plans, the development of perpetual, mortgageable and tradeable licences and the expansion of trading – both intra and inter state. By this year we had achieved significant progress – 90% of NSW's water extraction is covered by statutory water sharing plans; almost 14,000 licences have been converted to the *Water Management Act 2000* providing a secure business asset; substantial volumes of water were traded despite the drought and the record low water allocations; and where possible, some small environmental releases were made and natural high tributary inflows protected.

DWE advised on the implications of the National Plan for Water Security for NSW's water interests and successfully negotiated the payment of \$26.3 million from the Commonwealth for progress with national requirements.

Major inland groundwater plans were commenced, ensuring that groundwater extractions will be sustainable. In response to the drought we investigated a number of innovative measures to save water in our river and creek systems. In the Murray Valley up to 35 gigalitres could be saved by measures including the installation of temporary regulating structures. Twenty projects were completed which saved 10,000 ML of groundwater per year through the Cap and Pipe the Bores program in the Great Artesian Basin.

Securing Sydney's water supply

The Department has coordinated the implementation of the Metropolitan Water Plan, which outlines how Sydney's water supply is secure in the face of drought, population growth and the likely impacts of climate change. Under the Plan, a range of major projects have been delivered by many agencies across the NSW Government including: massive recycling industrial and residential schemes; access to the water deep in Warragamba and Nepean Dams; a contract for the construction and operation of a desalination plant at Kurnell powered by 100 per cent accredited renewable energy; and effective programs to reduce demand by using water wisely.

We prepared a progress report on the Metropolitan Water Plan, which was endorsed by the Independent Review Panel chaired by Professor Peter Cullen and released by the Government in September 2007. The Report noted that 97% of milestones under the Metropolitan Water Plan had either been achieved or were on target towards achievement.

Facilitating recycling

DWE facilitated development of Australia's first State-based access regime under the *Water Industry Competition Act 2006* to make it easier for the private sector to invest in recycling and to facilitate the best use of existing infrastructure. We managed the amendment of the *Pipelines Act 1967* to assist the construction and operation of new pipelines by the private sector and to reduce approval times from one year to between four and six months. To encourage the appropriate use of greywater, user friendly guidelines and fact sheets were released. We also facilitated the development of a number of significant recycling projects across Sydney.

Promoting water education and conservation

DWE managed the cross-Government Water for Life Education Program, a \$10.7 M comprehensive four year education program to engage the 4.3 million people in the greater Sydney community to play their part in securing our water for the future. A new-look Water for Life website at www.waterforlife.nsw.gov.au was developed with tracking reports indicating strong community interest. Four targeted education partnership projects were successfully delivered in conjunction with the Property Council, the Australian Conservation Foundation, the Ethnic Communities Council and the Science and Geography Teachers Associations.

Supporting water and sewerage infrastructure

The Country Towns Water Supply and Sewerage Program has now completed over 320 water supply and sewerage projects which have delivered enhanced public health, environment and security of supply outcomes to over 1 million residents living in country NSW. The Government has announced a boost of \$160 million towards this program. This increases the total commitment to about \$1.1 billion and enables the program to be extended to 2014-15 and enabling an additional 54 projects to be funded.

Enhancing local water utility performance

The Best-Practice Management Guidelines are the Department's key driver for the reform of planning and management and for continuing performance improvement by the 107 NSW Local Water Utilities (LWUs). Based on 2005-06 figures published in 2007, 33% of local water utilities fully complied with the Guidelines for water supply; and 22% fully complied for both water supply and sewerage. Compliance rates with individual components of the Guidelines are considerably higher in many cases and represent considerable progress since the introduction of the Guidelines in 2004. The Independent Inquiry into the Financial Sustainability of NSW Local Government has recognised the Department's initiatives on best-practice management, asset management, and performance monitoring in facilitating implementation of best-practice management and the financial sustainability of LWUs.

Managing for drought

DWE assisted local councils in managing their water supplies during the drought. The drought situation worsened dramatically in early 2007, with storages and river flows at or below record levels. At the peak of the drought in May 2007, for water supplies in regional NSW, water was being carted to eight communities in regional NSW. Fifty-one communities were in danger of water supplies failing in three months and a further 128 were at risk of failure in 12 months. DWE provided a range of assistance measures to ensure continuity of water supply was maintained to the 1.34 million people served by these facilities.

Leading transformation of the National Energy Market

Significant progress was achieved in shaping substantial changes to the national energy legislative framework in order to transfer responsibility for economic regulation of the gas transmission sector and gas and electricity distribution networks from state-based regulators to the Australian Energy Market Commission and Australian Energy Regulator. The Department also played a key role in advising on the NSW Government's response to the recommendations of a high level COAG commissioned review on potential further reforms to national energy market arrangements.

Improving reliability of electricity supply

Significant policy improvements in legislative and regulatory frameworks for the technical regulation of electricity, gas and pipeline infrastructure were made by DWE. This work, along with DWE's regulatory and compliance services for energy networks is expected to contribute significantly to progress by electricity distributors towards delivering the State Plan target of 99.98% reliability by 2016.

Increasing renewable energy use

We have contributed to the Renewable Energy (New South Wales) Bill 2007 which was introduced into the Parliament in June 2007 to implement a NSW Renewable Energy Target (NRET) that would increase the consumption of renewable energy in NSW. Unprecedented growth was achieved in the GreenPower Program in NSW with customer participation tripling and sales increasing by 37 per cent. Abatement certificates under the Greenhouse Gas Reduction scheme increased by 10 million and the minimum energy performance standards and energy labeling schemes also contributed heavily to emission reductions and energy efficiency improvements.

Protecting vulnerable customers

Through DWE, the NSW Government operates a number of schemes involving considerable funding to support vulnerable water and energy customers. This year DWE has successfully coordinated the distribution of around \$173 million through pensioner water and energy rebates, energy accounts payment assistance and other consumer protection strategies to ensure continuity of water and energy supplies and services to communities across NSW.

Looking forward

We have achieved many things in the short life of our organisation. However, we have considerable work to do, not only to complete the merger of our organisation but to streamline processes to ensure that we are working towards and achieving State Plan and other organisational goals as efficiently as possible.

Organisationally, our strategies involve implementing comprehensive risk management processes. We have already established a strong focus on workplace safety. It will also be important to not only communicate DWE's work and direction in effective consultation with the community and key stakeholders but also to actively respond to feedback on our performance in order to deliver high quality service and improve client satisfaction.

I am confident that we can build on this promising beginning and continue to improve the delivery of the Government's water and energy reforms and achieve the outcomes needed by the people of NSW.

Mark Duffy

Director-General

Department of Water and Energy

Performance summary

Water management

Co-operative water management

- NSW has completed or substantially completed the requirements to meet the key aims of the NWI.
- Successfully negotiated the progress payment of \$26.3 million from the Commonwealth.
- NSW Premier agreed in principle to the National Plan for Water Security.
- NSW, Victoria and South Australia agreed to intergovernmental arrangements to extend inter-state water trading.

Sustainable Water sharing

- 90% of NSW's water extraction is now covered by statutory water sharing plans.
- Commenced the major inland groundwater plans which will ensure that groundwater extractions will be sustainable.
- In the regulated rivers, extractions were maintained below the limit required under the Murray-Darling Basin cap.

Clear water rights and trading

- Almost 14,000 licences have now been converted to the WMACT providing a perpetual, mortgageable and tradeable business asset.
- Despite the drought, over 180 GL of licensed entitlement were permanently traded and 478 GL of allocation water temporarily traded allowing water users to adapt their business operations to the difficult climatic conditions.

Industry adjustment and improved environments

- 20 projects completed saving 10,000 ML of groundwater per year through the Cap and Pipe the Bores Program in the Great Artesian Basin.
- Despite the drought, where possible, some small environmental releases were made and natural high tributary inflows protected.

Informed decisions

- Installed a centralised water data system to provide automatic data on current river flows to water users and other agencies across NSW.
- Worked closely with local Water Advisory Groups to determine priority and options for water supply in critical water shortage areas to assist towns, essential industries and the survival of permanent plantings.

Key Performance Indicators

% water extraction covered by water sharing plans.	90% – on target
% WAct licences converted to tradeable WALs under the WMACT.	30% –depends on WSP commencement.
Level of compliance with legislation and statutory instruments.	Variable
% Snowy and Living Murray programs targets /milestones achieved.	On target
Proportion (%) of analysis and reporting targets/milestones achieved.	>75%.

Urban water utilities

Metropolitan Water

- Effectively coordinated the Metropolitan Water Plan to deliver a range of major projects to ensure Sydney water supply and demand balance.
- Supported the Independent Review Panel of experts, chaired by Professor Peter Cullen.
- Facilitated development of a licensing regime for private sector water service providers and Australia's first State-based water access regime under the *Water Industry Competition Act 2006* to make it easier for the private sector to invest in recycling.
- Managed the cross-Government Water for Life Education Program, a \$10.7 M comprehensive four year education program to engage the 4.3 million people in the greater Sydney community to play their part in securing our water for the future.
- Efficiently coordinated the distribution by Sydney and Hunter Water Corporations of about \$88 million under the Pensioner Rebates Schemes.

Non-Metropolitan Water

- The Country Towns Water Supply and Sewerage Program has now completed over 320 water supply and sewerage projects which have delivered enhanced public health, environment and security of supply outcomes to over 1 million residents living in country NSW.
- Provided a range of assistance to over 100 local water utilities to implement Integrated Water Cycle Management (IWCM).
- Ninety five percent of local water utilities are now achieving full-cost recovery for their water supply and sewerage businesses and the remainder of the utilities have committed to achieving full cost recovery by June 2009, as required by the revised Best- Practice Management Guidelines.
- Assisted local councils in managing their water supplies during the drought.

Key Performance Indicators

Proportion of Metropolitan Water Plan targets/ milestones achieved.	97%
Number of people benefiting from water supply system improvements in non-metropolitan NSW.	30,000
Number of people benefiting from improved sewerage systems in non-metropolitan NSW.	80,000
Population in non-metropolitan NSW with a reticulated sewerage service.	1,680,000 (94.6% coverage)
Proportion of requirements of Best-Practice Management Guidelines met by LWUs.	65%

Energy supply and use

National and NSW Energy Policy

- Significant progress in shaping the national energy legislative framework to transfer responsibility for economic regulation of the gas transmission sector and gas and electricity distribution networks to national level.
- Supported the Owen Inquiry providing expert advice, information and analysis.

Regulation of Energy Network Reliability

- Significant policy improvements in legislative and regulatory frameworks for the technical regulation of electricity, gas and pipeline infrastructure.
- Provided regulatory services to assist electricity distributors to deliver 99.98% reliability by 2016.

Renewable Energy and Efficiency Programs

- The Renewable Energy (New South Wales) Bill 2007 was introduced into the Parliament to implement a NSW Renewable Energy Target (NRET)
- Unprecedented growth was achieved in customer participation and sales of GreenPower in NSW. On the previous year, customer participation tripled to 168,000 and sales increased by 37 per cent to 351,000 MWh.
- GreenPower was the winner of the Banksia Environmental Award in 2006 for the Climate Category.
- Product registrations for Minimum Energy Performance Standards (MEPS) and energy efficiency labeling increased to 450, leading to potential savings in power of 1,119 GWh and 993,000 tonnes of carbon emissions.

Vulnerable customer support

- Protected customers by successfully managing the first retailer of last resort (ROLR) event in the National Electricity Market following the suspension of an electricity retailer.
- Policy and regulatory changes put in place to strengthen disconnections procedures to better protect residential customers in NSW.
- About \$83 million was efficiently distributed under the Pensioner Energy Rebates, Life Support Rebate and Energy Accounts Payment Assistance Schemes.

Key Performance Indicators

Proportion of national energy reform commitments achieved.	Significant progress made working within the national framework.
Proportion of DWE's State Plan milestones for reliability targets achieved.	The majority of milestones have been achieved and the annual measure of NSW electricity reliability is on track to achieve the designated State Plan target.
Proportion of DWE's State Plan milestones for renewable energy targets achieved.	Not applicable at this stage as there were no milestones during the period of this report.
Proportion of energy customer support payments processed within agreed standards.	Further development of the method of calculating this indicator will be undertaken with improving customer service standards.

Organisational capability

Service Delivery

- Established new agency without industrial disputes whilst maintaining continuity of service delivery.
- Key messages on contaminated groundwater and Water Saving have been communicated in appropriate languages to assist CALD communities.

Governance and Risk

- Established a governance framework (including key committees – audit/risk, budget/finance, people/performance) and revised organisational structure
- Prepared a new Corporate Plan which established strategic directions and strategies for delivering Government objectives and State Plan targets (November).
- Established a strong focus on workplace safety through implementing risk management strategies.

People and Culture

- Set up regular Joint Consultative Committee arrangements to ensure obligations to consult with the various unions in relation to workplace change are met.
- Workforce planning and targeted employment programs have been assessed as needing priority focus.

Systems, Processes and Information Resources

- Established mechanisms for determining a delivery model for future human resource and financial management systems for the new department.

Financial and Asset Management

- Despite extensive machinery of government changes and restructure of agencies an unqualified independent audit report on DWE's financial statements was delivered.

Key Performance Indicators

Level of client satisfaction with service quality.	Has not been formally or comprehensively assessed. Assessment processes to be developed.
Percentage of line managers trained in OHS.	Planning for all line managers to be trained by 2008.
Number of workplace injuries and incidents.	Total figures not available at this stage.
Staff turnover	Figure not available at this stage as DWE is a new agency.
Extent of achievement of EEO targets.	Overall achievement 45% Measurement reference point established.

Financial performance summary

This financial summary is for the period 27 April 2006 to 30 June 2007. The detailed financial report is shown in Part 3.

Operating result

Operating statement summary		\$ M
Total expenses excluding losses		80.1
Less		
Total revenue		15.1
Gain/(loss) on disposal of non-current assets		0
Share of operating result of joint ventures		(5.6)
Net cost of services		70.6
Total Government contributions		76.4
Surplus for the period		5.8

Comment

The Financial Report Statements represents financial balances as at 30 June 2007 and the income and expense transactions of the Department of Water and Energy from its inception on 27 April 2007 to 30 June 2007.

The figures therefore contained in this financial summary cannot be easily compared to past or future financial performance.

It should be noted that the total Government contributions include \$2 M for the Department's capital acquisition program and \$6.6 M representing the NSW Government investment in the Murray Darling Basin Commission and the Dumaresq-Barwon Border Rivers Commission for the period.

Expenses

Expenses by type

Type	\$ M	% of total
Operating expenses		
- employee-related	12.1	15
- other operating expenses	7.7	10
Grants and subsidies	60.3	75
Total expenses	80.1	100

Comment

Grants and subsidies made up 75% of total expenses. Generally, these programs are non-discretionary and therefore not available to DWE for operating expenses.

Expenses by Key Result Area (KRA)

Key Result Area	Grants and other service items component	Operating and other expenses		Total Actual 2006-07	
	\$ M	\$ M	%	\$ M	%
Water Management	9.6	15.1	76	24.7	31
Urban Water Utilities	35.9	0.2	1	36.1	45
Energy supply and use	14.8	4.5	23	19.3	24
Total expenses	60.3	19.8	100	80.1	100

Comment

The main grant item under the Urban Water KRA related to the Country Towns Water Supply and Sewerage Scheme with the majority of funding for the scheme being drawn down over the latter part of the financial year.

Capital program

DWE's capital program expenditure of \$2 M was primarily related to the development of water data systems and general plant and equipment replacement.

Impact of economic factors

Economic factors had no significant impact on achievement of the financial or operational objectives of the Department.

The year in brief

2006

July

- New code of practice for plumbing and drainage commences.
- Water rating labelling of products introduced nationally.

August

- \$24 million awarded to 41 projects under Water Savings Fund, with savings of 4.5 billion litres of water per year.
- Australian Water Fund matches NSW's \$13.4 million for NSW Wetlands Recovery Program

September

- IPART releases determination for bulk water charges for period 2006-2010.
- Plans announced to recover water for the Snowy and Murray, through voluntary sale of water entitlements.
- Public Facilities Program introduced under NSW Energy Savings Fund to support energy savings in public and educational facilities.

October

- Commencement of Lower Gwydir, Lower Macquarie and Lower Murrumbidgee Groundwater Sharing Plans.
- Calls for applications under Round 3 of the \$130 million Water Savings Fund.
- Plans for major recycling plant at Delta Electricity's Vales Point power station announced.
- Greenhouse Gas Reduction scheme extended a further nine years.

November

- Lower Murray and Upper and Lower Namoi Groundwater Sharing Plans commence.
- Premier announces NSW Renewable Energy Target.
- \$342 million plan announced to build Tillegra Dam in Hunter Valley.
- NSW State Plan launched.
- Water Industry Competition Bill passed by Parliament.

December

- Sydney's largest industrial water recycling project "switched on".
- Independent Review Panel reports on Metropolitan Water Plan.

2007

January

- \$20 million Extraordinary Assistance Package announced to support drought affected farmers in Southern valleys.
- Commonwealth's \$10 billion National Plan for Water Security announced.
- Commenced requirement for all electricity retailers to offer 10% GreenPower to new or moving customers

February

- Announcement that Sydney's desalination plant will proceed and will be powered 100% by renewable energy.
- Paterson River Flow Study examines impacts of using environmental flow releases from Lostock Dam.

March

- \$13 million announced for 29 projects under Round 2 of Energy Savings Fund.
- New environmental flows for the Shoalhaven River announced.
- \$15 million for 30 new projects under Round 3 of Water Savings Fund.
- \$160 million increased funding for the Country Towns Water Supply & Sewerage Program announced taking it to over \$1 billion

April

- Department of Water and Energy established.
- The Hon Ian Macdonald MLC appointed Minister for Energy.
- The Hon Phil Koperberg MP appointed Minister for Climate Change, Environment and Water.
- The Hon Nathan Rees MP appointed Minister for Water Utilities.
- Darling River Water Savings Study identifies six possible options to achieve significant water savings at Menindee Lakes.

May

- BlueScope Steel water recycling scheme reaches milestone of 3 billion litres in water savings.
- Creation of Murray-Darling Basin Ministerial Advisory Council announced in response to drought crisis.

June

- Preferred tenderers announced for Sydney's desalination plant and Western Sydney water recycling project.

Management and organisational structure

Management Framework

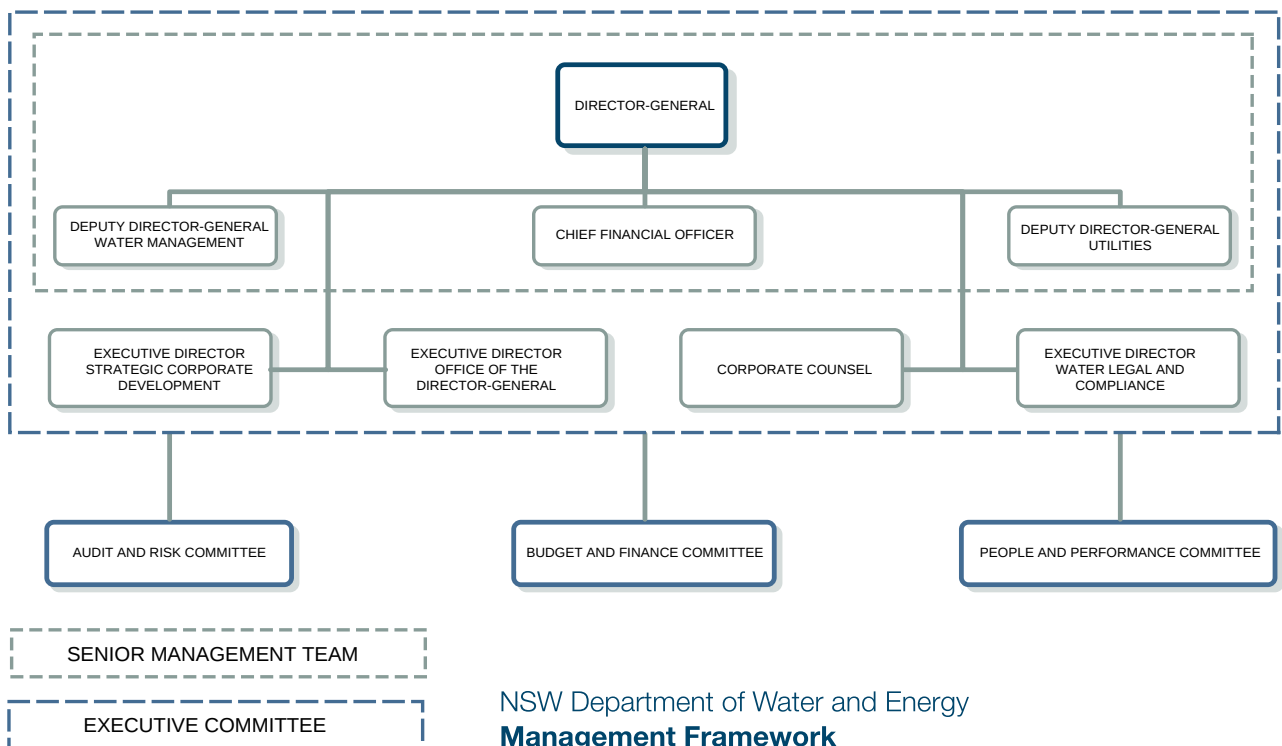
The Department is led by the Senior Management Team consisting of the Director-General, two Deputy Directors-General and the Chief Financial Officer.

The Executive Committee, comprising the Senior Management Team and other divisional heads, coordinates and directs the operations of the Department.

There are three specific purpose committees that report to the Executive Committee:

- Audit and Risk
- Budget and Finance
- People and Performance

These three committees comprise members of the Executive Committee and Departmental officers with relevant specialist skills to provide advice, reports and recommendations on strategic corporate issues for the effective management of the Department.



Organisational structure

The detailed organisational structure for divisions and branches, shown on the facing page, has been designed to streamline operations and deliver core functions effectively.

Water Management Division – Water management policy, planning, licensing, systems and evaluation.

Utilities Division – Water utilities, metropolitan water, energy strategy and reform, technical regulation and compliance.

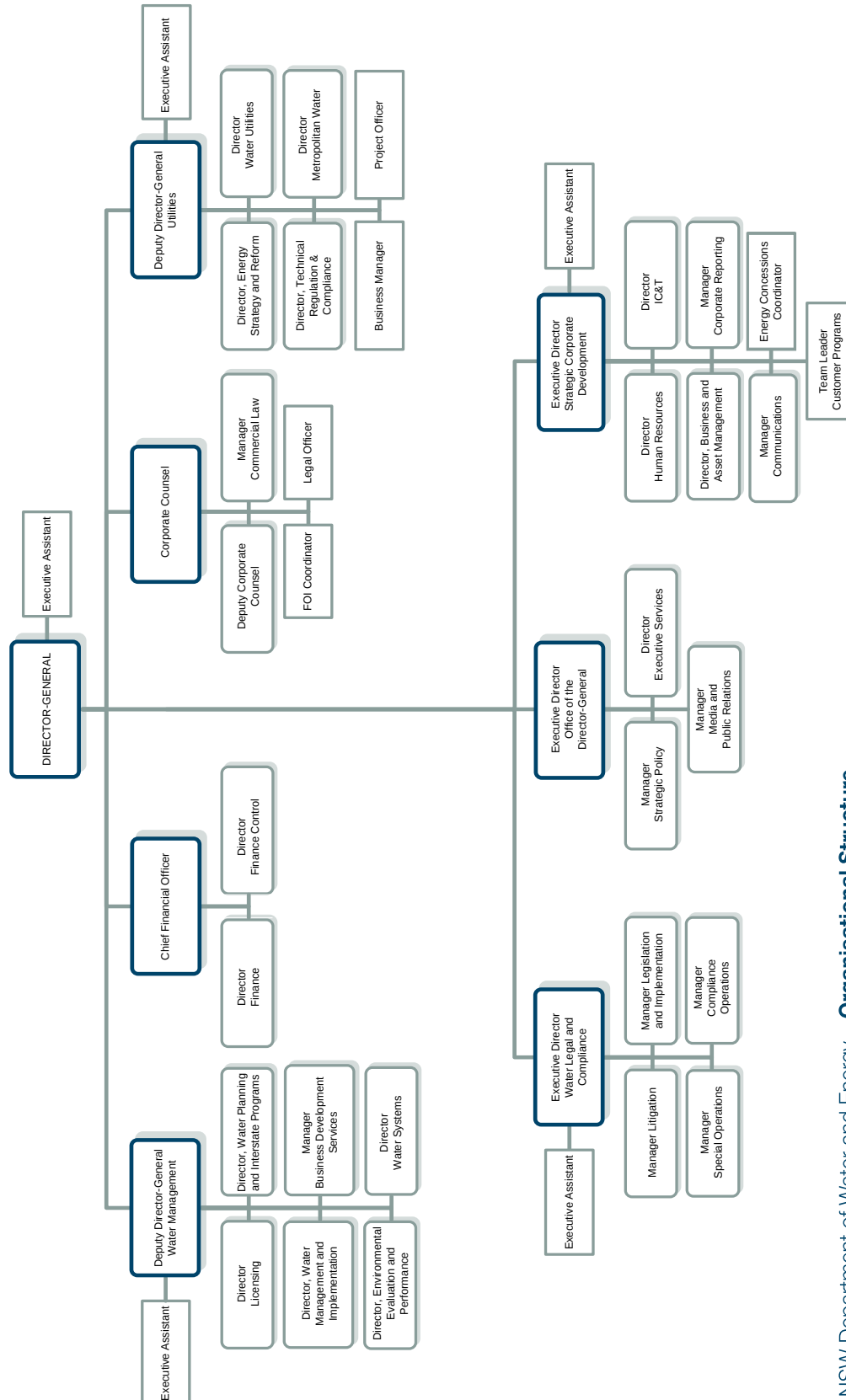
Corporate Finance Division – strategic budget and financial management.

Strategic Corporate Development Division - customer service interface as well as strategic corporate human resources, ICT, business and asset management, communications and corporate reporting.

Office of the Director-General - Strategic policy, ministerial, parliamentary, media and public relations services.

Corporate Counsel Division – Commercial law, freedom of information, corporate legal services.

Water Legal & Compliance Division – Water management legislation, litigation and compliance.



NSW Department of Water and Energy – Organisational Structure

Executives

Director-General

Mark Duffy - LL.B, BEc, MA

Mark was appointed Director-General of the newly created Department of Water and Energy on 27 April 2007, after successfully serving for 12 months as Director-General of the former Department of Energy, Utilities, and Sustainability. He has over 20 years experience in NSW public policy and management.

Mark has held senior executive positions with the former Department of Infrastructure, Planning and Natural Resources and Ministry of Transport, performing key roles in delivering the Government's metropolitan transport strategy and reforming Sydney's private bus industry. He has also undertaken major consulting roles in energy, natural resource management and transport sector reforms, and undertaken a senior ministerial advisory role in the Energy and Finance portfolios.

Mark has served on a number of Boards, including the Rail Infrastructure Corporation, Pacific Power, Pacific Power International, WorkCover NSW and the State Compensation Board, and has been a Trustee of First State Super and SAS.

Deputy Director-General, Utilities

Leisl Baumgartner - B.A. (Comms), B.Ec. Masters Int. St.

Leisl took on the role of Deputy Director-General following the creation of the Department of Water and Energy, after having held senior executive positions in the former Department of Energy, Utilities and Sustainability, the last being Executive Director, Reform and Regulatory Affairs, appointed 31 July 2006. She has worked in the energy and water sectors for over ten years, playing a leading role in the reform of the energy industry in particular, at both a state and national level. She has also played a leading role in the development and delivery of one of the world's first carbon trading schemes, and now the second largest in the world, the NSW Greenhouse Gas Reduction Scheme

Prior to returning to the NSW public sector, Leisl was the Senior Director, Policy, at the Australian Energy Market Commission, and has also held positions with the NSW Treasury and the former Cabinet Office. Leisl has also undertaken various senior Ministerial advisory roles in the Energy and Finance portfolios.

Deputy Director-General, Water Management

David Harriss - B.App.Sc., Grad Dip (Res Mgt)

David was appointed Deputy Director-General, Water Management of the Department of Water and Energy on 12 June 2007. Prior to that, he was Executive Director, Water Management in the former Department of Natural Resources, and held Regional Director positions in the Murray and Murray-Murrumbidgee regions in DNR's predecessor agency, DLWC, for over ten years, taking a leading role in regional natural resource and water management.

David has been influential in establishing river and wetland management, irrigation and salinity programs, and has contributed significantly at State, interstate and national levels, helping to cement NSW's position as the leading State on water reform and compliance with the National Water Initiative. He is a NSW Deputy Commissioner of the Murray-Darling Basin Commission, and on 11 June 2007 was awarded the NSW Public Service Medal for outstanding public service, particularly in the field of water management.

Before joining the NSW public service, David worked for Australian Fisheries Service and the National Biological Standards Laboratories.

Note 1: The position of Chief Financial Officer has not yet been filled.

Note 2: SES positions and performance statements for senior SES positions are shown in Appendix 1

Part 2

Performance by Key Result Area

Water management

Overview

Planned result Secure and sustainable allocation of water between communities, industry, farmers and the environment.

Planned outcomes

- Co-operative management of NSW water resources within an effective national framework
- Water sharing plans providing sustainable allocations
- Clear and enforced rights to water supporting a viable water market
- Water industry adjusted and water environments improved
- Informed decisions on the use and protection of water resources and the cost of management

Major outcomes achieved

- Major requirements under NWI are to prepare water sharing plans by 2009, and the development of perpetual and tradeable licences and the expansion of trading – intra and inter state.
- Five of the six major inland aquifer plans and the Patterson Regulated river plan were completed and gazetted bringing a total of 36 plans now completed for the State - 90% of NSW's water extraction is now covered by statutory water sharing plans.
- Almost 14,000 licences have now been converted to the *Water Management Act 2000* providing a perpetual, mortgageable and tradeable business asset.
- NSW, Victoria and South Australia agreed to intergovernmental arrangements to extend inter-state water trading.
- Successfully negotiated the payment of \$26.3 million in payments from the Commonwealth for progress with the national requirements.
- Despite the drought, over 180,000 ML of licensed entitlement were permanently traded and 478,000 ML of allocation water temporarily traded during the year allowing water users to adapt their business operations to the difficult climatic conditions.
- NSW and the Commonwealth agreed to a \$135 million assistance structural adjustment assistance package for groundwater irrigators in the major inland aquifer systems.
- In the south-west of the State, DWE was part of the Prime Minister's Senior Officers Group on Water developing contingency options to ensure the supply of critical urban water needs through the worst drought on record to NSW, Victoria and South Australian users along the Murray River.
- Continued to ensure the joint management of the State's border water resources through the Murray-Darling Basin Commission and the Border Rivers Commission.
- Advised on implications of the National Plan for Water Security for NSW's water interests.

- Worked closely with local Water Advisory Groups to determine priority and options for water supply in critical water shortage areas to ensure supply to towns, essential industries and the survival of permanent plantings.
- Installed a centralised water data system to provide automatic data on current river flows to water users and other agencies across NSW.
- Commenced the major inland groundwater plans which will ensure that groundwater extractions will be sustainable.
- Despite the drought, where possible, some small environmental releases were made and natural high tributary inflows protected.
- Pumping rules were applied in the unregulated rivers to ensure the maintenance of water for ecosystem health.
- In the regulated rivers, extractions were maintained below the limit required under the Murray-Darling Basin cap.
- Assisted with investigations into long-term water savings projects as well as more temporary measures in response to the severe drought conditions in some valleys.
- Twenty projects were completed that saved 10,000 ML of groundwater through the Cap and Pipe the Bores Program in the Great Artesian Basin.
- Working with CSIRO to assess sustainable yields for surface and groundwater systems across the Murray-Darling Basin.
- Worked with other agencies to implement a program of works and operational protocols to reduce the release of cold deoxygenated water from the State's major dams.

Key Performance Indicators

Proportion (%) of water extraction covered by water sharing plans.	90% – on target under the water reform process.
Proportion of Water Act licences converted to tradeable Water Access Licences under the Water Management Act.	30% – This refers to a tradeable water licence under the WM Act. Increases in WALs depend on commencement of water sharing plans.
Level of compliance with legislation and statutory instruments.	Variable – Initial audit results indicate varying degrees of individual compliance but overall a generally positive approach by holders to compliance with consent conditions.
Proportion (%) of Snowy and Living Murray programs targets/milestones achieved.	On target.
Proportion (%) of analysis and reporting targets/milestones achieved.	>75%.

Water management

Performance report

Cooperative water management

The National Water Initiative

The National Water Initiative (NWI) is a comprehensive strategy driven by the Australian Government to improve water management across Australia. The NSW Government is a partner in the NWI which was endorsed by the Council of Australian Governments (COAG) in June 2004.

The key aims of the NWI are:

- expansion of permanent trade in water to bring about more profitable use of water and recovery of water to achieve environmental outcomes;
- to create greater confidence to invest in the water industry through more secure water access entitlements and improved public access to information;
- more transparent and comprehensive water planning that deals with key issues such as the interaction between surface and groundwater systems and the provision of water to meet specific environmental outcomes; and
- a commitment to address over allocated systems as quickly as possible, in consultation with affected stakeholders, addressing significant adjustment issues.

NSW has completed or substantially completed the requirements to meet these key aims with the agreement between the southern border states to introduce permanent inter-state trading from July 2007, the completion or development of water sharing plans for the major areas of water extraction in NSW, development of on-line information on water and licences, provision of water for the environment through the rules in the water sharing plans and reduction to entitlements in the over-allocated groundwater systems.

Murray Darling Basin Commission

The Commission is responsible for managing the River Murray and the Menindee Lakes system of the lower Darling River, and for advising on the use of the water, land and other environmental resources of the Murray-Darling Basin.

The Prime Minister convened a summit of the Basin states on 7 November 2006 to address concerns regarding insufficient water reserves in the Murray to meet critical urban water needs in the following year. A group of high-level officials was established to examine contingency planning to secure urban supplies during 2007-08. As a result the normal Murray-Darling Basin Agreement was set aside and new sharing arrangements as well as measures to increase water efficiency and reduce losses were implemented.

National Plan for Water Security

On 25 January 2007, the Prime Minister announced a \$10 billion plan to improve water efficiency and address over-allocation. This required the states to refer their constitutional powers to enable the Commonwealth to manage water in the Basin. The Commonwealth plan included:

- \$6 billion to modernise irrigation and save water;
- \$3 billion to purchase water licences;
- \$600 million to establish a Commonwealth authority to oversee water management in the Murray-Darling Basin;
- \$480 million to establish the Bureau of Meteorology as the central water data and forecasting agency; and
- \$85 million for a third stage of the Cap and Pipe the Bores program.

The Premier of NSW agreed in principle to the plan, however, negotiations on the details of the plan including the need to protect the existing sharing arrangements for the environment and licensed rights of water users in NSW have not concluded. At June 2007 the Commonwealth was finalising a bill for Parliament.

Review of the NSW Water Management Act

The severity of the current drought has highlighted just how important our precious water resources are to our daily lives. The implementation of the *Water Management Act 2000* (the Act) marked a significant milestone for water management in NSW, providing the tools to meet the many challenges that now face us in managing this valuable resource.

A key aspect of the Act is the set of general principles which aim to ensure that our precious water resources are used sustainably, so that our unique ecosystems are catered for, and to ensure regional communities and industries continue to operate successfully and prosper. There are also specific principles that fall under six broad categories, relating to water sharing, water use, drainage management, floodplain management, controlled activities, and aquifer interference. Additionally, the Act allows for the development of the State Water Management Outcomes Plan (SWMOP) which sets targets for government to ensure sustainability across a range of water management activities. Details of the principles and the SWMOP can be found at www.legislation.nsw.gov.au

Under Section 10 of the Act the Department is required to report every five years on how it has achieved the principles of the Act and the SWMOP. The results of the first of such reviews are discussed below.

The review found that the Department has made significant progress in giving effect to both the principles of the Act, and the SWMOP. In particular, significant progress has been made against the general principles, and those relating to water sharing. This has been achieved by the development of 36 water sharing plans across NSW, accounting for some 90 per cent of the water extracted. The objectives of the water sharing plans, and the process used for their development, were found to be consistent with the general and water sharing principles of the Act. Key aspects of the plans include setting an extraction limit to protect the water source from unplanned growth in extractions; setting end-of-system flow targets to meet environmental needs; putting aside water in storages to meet downstream environmental needs (eg flows to wetlands); protecting a proportion of freshes and high flows for the environment; applying cease to pump levels to protect very low flows; establishing local impact rules to protect groundwater dependent ecosystems; and allowing for adaptive environmental water licences for water recovery projects.

Some examples of the use of environmental flow rules to achieve environmental outcomes for regulated, unregulated, and groundwater sources include:

- Environmental flow releases in the Macquarie, totalling 84,000 megalitres, were made into the Marshes from November 2005 to January 2006 to support water bird breeding;
- Environmental releases in the Gwydir Valley were made during the summer of 2003 (a total of 5,100 megalitres) which promoted wetland plant diversity. A further release occurred in summer of 2005 (a total of 13,400 megalitres) inundating 12 hectares of the Gwydir Wetlands and helping to sustain a major bird breeding event;
- An environmental allocation in the Murrumbidgee Valley of 14,000 megalitres was released in December 2005. The water inundated up to 10,000 hectares of wetlands, triggering successful breeding events for waterbirds and other threatened species;
- A cease to pump level has been developed for the unregulated Karuah River, on the NSW lower North Coast, that provides for sufficient flows for the movement of Australian Bass over riffles at key migration times; and
- Identification and protection of high value groundwater-dependent ecosystems in the Kulnura-Mangrove Mountain aquifer, on the NSW Central Coast.

Water licences are a major tool in implementing the plans and achieving the desired outcomes. For the current water sharing plans, the Department has converted almost 14,000 licences from the *Water Act 1912* to the *Water Management Act 2000*. A key feature of this is the separation of water title from the land. This has allowed for more sophisticated water trading to occur, which encourages both water use efficiency and movement to higher value uses.

The Department has also made significant progress against the SWMOP. Of the 58 targets and sub-targets the Department is responsible for, or has a high level of contribution to:

- 15 per cent have been met in full;
- 41 per cent are nearly met;
- 34 per cent have been partially met; and
- 8 per cent have made only minor progress to meeting the target.

The review has resulted in five recommendations aimed at enhancing the Department's ability to deliver against the principles. These generally relate to improving information management and reviewing the SWMOP in light of changes in state and national water policy.

The report concluded that the Department has made significant progress in meeting the SWMOP targets, and giving effect to the general and water sharing principles of the Act. Over the next five years it is anticipated that water sharing plans will be completed for all of NSW. Additionally, the regulation of controlled activities and aquifer interference under the Act are now being considered. As these further parts of the Act are switched on, and there is a consequent need to consider the remaining principles, the reach of the Act will be broadened to apply to the management of the total water cycle.

Sustainable water sharing

Water Sharing Plans

During 2006–2007 the water sharing plans (WSPs) for 5 of the 6 major inland alluvial aquifer systems were amended and commenced.

By 2007 NSW has 36 water sharing plans in operation covering 90% of the total volume of water extractions and the majority of the major river systems and alluvial groundwater aquifers (Table 1.1). The water sharing plan for the Patterson Regulated River in the Hunter Valley was also gazetted and commenced on 1 July 2007.

Table 1.1: Water Sharing Plans

Water Sharing Plans	2004-05	2005-06	2006-07
Number of WSPs commenced	31	31	36
Proportion (%) of WSPs commenced	39	39	45
Proportion (%) of water extraction (volume) covered by WSPs	80	80	90

KEY PERFORMANCE INDICATOR

Proportion (%) of water extraction (volume) covered by water sharing plans – 90% – is on target under the water reform process.

To complete WSPs for most of the remaining areas of the State a broader river catchment or groundwater system approach has been adopted. This involves the development of some 32 macro water sharing plans. Expert Regional Panels assess the environmental and socio-economic values of the system and develop the draft rules for these areas of the State. The draft rules are then discussed with the regional community before the draft plan is finalised for public exhibition. During the year consultation occurred for the proposed rules in the North Coast, South Coast and Hunter regions. Work was focussed on the Lower North Coast macro plan – the draft plan will be placed on public exhibition in 2007.

Areas of more intensive water use or with significant water issues, such as the greater Sydney area or the Great Artesian Basin, are being developed as individual plans. The draft Great Artesian Basin Plan will be placed on public exhibition in 2007 and the Greater Sydney plan in 2008. In total there will be some 80 WSPs developed to cover the entire State and the aim is to have all plans completed by 2009. This will bring all water users within the licensing system of the *WM Act 2000* providing benefits of more secure water entitlements, specific rules to provide for the environment and greater opportunities for water trading.

WSP rules implemented

The year was characterised by severe drought conditions across the State. In many of the major inland river systems, flows were lower than the previous lowest ever recorded. In this regard DWE's historical flow records for the major river systems extend back over 100 years. The water available was at critical levels and only sufficient to meet high priority requirements. In most river systems regulated by the major dams – the Namoi, Gwydir, Lachlan, Macquarie and Murray Regulated Rivers – no additional water was able to be allocated in 2006–07 for general security licence holders ie those that irrigate annual crops. Similarly, only limited water was available for environmental releases as the flow rules are designed to replicate natural flow conditions as far as possible:

- In the Gwydir Valley water was released from storage in December and January and again in March to provide water for the Gwydir wetlands. This delivered 11,340 ML to the wetlands in addition to natural high tributary inflows of 10,020 ML

- Environmental water was released from Keepit Dam to maintain flow levels during June, July and August 2006. This amounted to 4,679 ML.
- In the Macquarie Valley, no environmental contingency water was released although tributary inflows were protected to allow around 38,400 ML of flow to enter the Macquarie Marshes. At the end of the year 12,952 ML were held in the Macquarie environmental water account.

Performance against MDB Cap

A key provision of the WSPs is the limit placed on water extractions determined by the environmental flow rules and, in the inland river systems, by the Murray-Darling Basin (MDB) Cap. Each year an Independent Audit Group (IAG) reviews the implementation of the Cap in each state.

In 2006 the IAG assessed all NSW valleys as being within Cap with the exceptions of the NSW Border Rivers and the combined Barwon-Darling and Lower Darling Valleys. NSW is finalising an Inter-Governmental Agreement on flow sharing arrangements for the Border Rivers with Queensland, which will allow a Cap to be set for the NSW Border Rivers. For the Barwon-Darling Valley a restructure of entitlements to ensure that diversions remain within the Cap has been substantially completed. A WSP is now being developed for the Barwon-Darling River incorporating these changes.

Since the introduction of the Cap in 1995, NSW has managed its extractions so that it is cumulatively 2,800 GL below the Cap.

The IAG review of Cap implementation for the 2006-07 water year is set to commence in October 2007.

Clear water rights and trading

Managing access to water

The Department is responsible for managing access to water and ensuring water is shared between the environment, towns and cities, and farmers and industry as well as managing water for uses such as indigenous cultural activities. Water licensing and water trading is managed under two pieces of legislation. Where a WSP has commenced, licences and approvals are managed under the *Water Management Act 2000* (WMA2000). Licences to extract water outside these areas are still managed under the *Water Act 1912* (WA1912).

A summary of the numbers of water access licences and approvals managed under the WMA2000 and licences managed under the WA1912 is shown in Table 1.2.

Table 1.2: Water licences managed at 30 June 2007

WMA2000	2004-05	2005-06	2006-07
Water access licences (active) on the Water Access Licence Register	n/a	11,290	13,894
Access licences* converted and still to be listed on the Water Access Licence Register	n/a	860	147
Water supply work approvals	n/a	3,080	8,245
Water use approvals	n/a	1,825	1,856
Combined approvals (water supply work and water use)	n/a	5,440	6,899
WA1912			
licences – surface	n/a	13,783	13,946
licences – groundwater (bores)	n/a	92,232	90,815

*Applies to access licences still to be listed where existing WSPs have commenced

Although fewer licences are administered under the WMA2000 than under WA1912, they represent the major areas of extraction. About 90% (by volume) of water extraction is now managed under WMA2000.

With the exception of town water supply and domestic and stock licences, most new water licences under the WA1912 have been embargoed in regulated, unregulated and many groundwater sources.

In accordance with WSP rules and regulations, new water access licences issued under the WMA2000 have been limited to those for specific purposes, such as those in domestic and stock categories, and for water access licences with zero share components. New licences issued are summarised in Table 1.3. The average time taken to issue a new water access licence was 76 days.

Table 1.3: Licensing WMA2000

New Water Access Licences*	2004-05	2005-06	2006-07
Applications received	36	70	227
Applications determined and notified	6	**77	164
Licences registered	5	63	113
Average processing time (days)***	n/a	69	76

*New water access licences are issued for a limited range of categories in a limited range of water sources

**Includes statutory notification periods such as 28 days in relation to Native Title

***Includes applications brought forward from previous year

Licensing and approvals under the WMA2000

In water sources where WSPs have commenced, WA1912 licences are converted to water access licences and water management approvals. Water access licences are then listed on the Water Access Licence Register administered by the Department of Lands - Land and Property Information (LPI).

DWE checks the licence details, verifying holders and confirming if any security interest is held, such as by companies or mortgagees, before they are cleared to trade (known as dealings). The Water Access Licence Register is a computerised record that provides an up-to-date and publicly available record of water access licences in WSP areas. It includes all licences converted from the WA1912, all new licences issued and any amendments to licences arising from water dealings.

The Department of Lands also issues water access licence certificates. A certificate is required to permanently sell or alter the water access licence. Water access licences issued under the WMA2000 provide greater security, with a clearly defined and perpetual right to access water. Water access licences are valuable assets which can be independently bought,

owned or sold and can be used as collateral when seeking finance.

As of 30 June 2007, there were 13,894 current water access licences listed on the Water Access Licence Register plus a further 717 cancelled water access licences (eg as a result of subdivision). In areas where WSPs have commenced, there were 147 water access licences still to be listed. A total of 8,636 water access licence certificates had been issued by LPI. Also there are 741 water access licences (replacing prior surface authorities) which have not been issued a certificate but have a notation that permits registration of dealings and transfers.

KEY PERFORMANCE INDICATOR

Proportion (%) of Water Act licences converted to tradeable Water Access Licences under the Water Management Act - 30%. This refers to a tradeable water access licence under the WMA2000. Increases in WALs depend on commencement of WSPs.

Licensing under the WA1912

In general the WA1912 licence is tied to the land as the licence covers both the right to take a specific volume of water as well as the works to be constructed and operated using that water.

There were 13,946 surface water licences and 90,815 groundwater (bore) licences managed under the WA1912 at 30 June 2007.

Water trading

Water trading and the market in water promote more productive and efficient uses of water and assist entitlement holders adjust to changes in water availability. Along with secure water access entitlements, the principle of water markets and trading underpin the National Water Initiative.

The WMA2000 provides for a range of water transactions defined as access licence dealings or water dealings. The most common water access licence dealing is water trading (the buying and selling of licences or annual water allocations).

A permanent trade occurs when the licence holder trades the ongoing share of available water. This may involve the transfer of a whole water access licence to

another party or the sale of a part of the water access licence share component. Temporary water trading occurs when the licence holder buys or sells a volume of the year's allocation.

Permanent transfers undertaken under the WMA2000 dipped in 2006–07 as shown in Table 1.4. Water access licences entitle the licence holder to a share of available water in a water source. The share in a commercial water access licence is expressed as a number of units. In specific purpose water access licences the share is expressed in megalitres (ML).

The total number of water allocation assignments, that is, temporary trading, for water sources subject to water sharing plans also fell back from 798 in the previous year to 385 during 2006-07.

While there were no permanent transfers recorded under the Water Act, temporary transfers under the WA1912 increased in total volume from 40,330 to 59,271 and in number from 165 to 240.

Trading statistics are summarised in Tables 1.4 to 1.7.

Table 1.4: Permanent transfers under WMA2000 and WA1912

	2004-05		2005-06		2006-07	
	WMA2000 water sources* share units (No.)	WA1912 **megalitres (No.)	WMA2000 water sources* share units (No.)	WA1912 **megalitres (No.)	WMA2000 water sources* share units (No.)	WA1912 **megalitres (No.)
Interstate	436 (10)	n/a	956 (16)	n/a	747 (17)	n/a
Within NSW ***	40,446 (152)	7,733 (33)	210,769 (682)	100 (1)	181,190 (368)	Non recorded
TOTAL	40,982 (162)	7,733 (33)	211,725 (798)	100 (1)	181,937 (385)	nil

*Source: DWE's web-based water trading registers

**Source: DWE's Licence Administration System

***Includes transfer of ownership

Table 1.5: Water allocation assignments (temporary trade) – water sources under WMA2000

	2004-05 megalitres (No.)	2005-06 megalitres (No.)	2006-07 megalitres (No.)
Interstate			
- To Vic	16,918 (140)	39,781 (324)	42,121 (445)
- From Vic	15,059 (59)	10,196 (28)	20,820 (336)
- To SA	11,338 (33)	11,085 (30)	32,951 (231)
- From SA	22,789 (58)	34,719 (82)	5,126 (41)
Within NSW	308,152 (1681)	476,571 (2154)	367,665 (3079)
TOTAL	374,256 (1971)	572, 352 (2618)	468,683 (4132)

Source: DWE's online water trading registers

Table 1.6: Temporary transfers – water sources under WA1912

	2004-05 megalitres (No.)	2005-06 megalitres (No.)	2006-07 megalitres (No.)
Surface water	7,012 (56)	15,127 (92)	21,936 (132)
Groundwater	49,120 (150)	25,203 (73)	37,335 (108)
TOTAL	56,132 (206)	40,330 (165)	59,271 (240)

Source: DWE's Licence Administration System

Water transactions (WMA2000)

DWE administers dealings in water access licences which include changing the location of a licence, splitting or consolidating licences, or changing the category of a licence, but excludes transfers of ownership, which are lodged directly with LPI. Other dealings are validated and assessed against plan rules and DWE assessment guidelines. Applicants are notified of the determination and, in the case of a grant, instructions are lodged with LPI to authorise a change to the water access licence. The number of applications for dealings under the WMA2000 declined last year by 19% over the previous year. Table 1.7 summarises progress on water transactions.

Table 1.7: Water transactions WMA2000

Water Access Licence Dealings*	2004-05	2005-06	2006-07
Applications received	185	354	285
Applications determined and notified	101	345	304
Dealings registered	49	273	326
Average processing time (days)**	144	57	33

*Water access licence dealings include transfers of ownership, changes to nominated works, conversion of category, subdivision and consolidations.

**Includes statutory notification period.

Registers established by DWE

DWE provides information on water access licences and approvals managed under the WMA2000 through licensing and trading statistics and a number of water management registers:

- register of applications for water approvals
- register of water approvals

- water access licence conditions register
- available water determinations register
- water allocation assignments register ('temporary' trading)
- water share register ('permanent' trading)

This information is on DWE's website at www.wma.dipnr.nsw.gov.au/wma/index.jsp

As well as providing up-to-date information for water users and members of the public, information relating to trading, such as volumes and prices paid, promotes trading and gives effect to the NWI. Some information relating to WA1912 licences and authorities is also available on this site. Usage of this information is reflected in the number of visits to the site, representing the number of users that accessed the site in different sessions, which increased from 7,788 in 2004-05 and 8,337 in 2005-06 to 9,175 in 2006-07.

LPI's Water Access Licence Register

The level of trading is also reflected in the use of the WAL register. Searches of the WAL Register can be made at the Department of Lands' Sydney office or through an online search available through a Department of Lands' website.

In 2006-07 there were 6,550 searches of the Water Access Licence Register by members of the public and there were 1,743 dealings lodged, including 613 permanent transfers of holder and 7 term transfers.

Rivers and Foreshores Improvement Act (RFIA) Approvals

Under the RFIA, DWE regulates excavations and activities that impede water flows within 40 metres either side of a watercourse. The Act has been used as the prime tool for protecting and restoring rivers and creeks. Implementation of the Act has resulted in the conservation of biodiversity and ecological integrity and contributed to improved water quality through healthy riparian corridors. In developments where waterways are enhanced, there is an estimated 30% increase in property values for lots with riparian frontage, reflecting the visual and other amenity attributes that riparian corridors provide.

The outcomes achieved by implementation of the RFIA help achieve outcomes in the State Plan, particularly E4 target 5: *Improvement in the condition of riverine ecosystems*.

Under the RFIA, 703 applications were assessed, determined and conditioned to protect and enhance the riverine ecosystems generating \$557,570 in revenue. The majority of applications are determined within statutory timeframes.

CASE STUDY –Tullimbar Village

Tullimbar Village is an urban development in the Illawarra with 2 kilometres of previously degraded creek line running through the site. The project aims were to restore the existing creeks and to replicate the vegetation that existed prior to European settlement and provide a corridor linking the Escarpment and Lake Illawarra. The Department of Water and Energy, through implementation of the RFIA, was able to achieve the following:

- 250,000 native plants have been planted in a degraded environment;
- Rehabilitation of 2 km of natural, yet degraded creek systems including bed and bank stabilization works (biggest riparian restoration project in the Illawarra);
- Transitional vegetation including trees, shrubs, grasses and groundcovers;
- All plants propagated from local provenance seed source; and
- Re-created a naturally functioning stream with a self sustaining ecosystem within a complex, modern day environment.

Conversion of the *Rivers and Foreshores Improvement Act* to Controlled Activities under the Water Management Act is planned for November 2007. The implementation of Controlled Activities will further strengthen legislative power to achieve environmental outcomes in riparian corridors.

Water metering and usage monitoring

Most of the water used in NSW is extracted from the regulated river systems below the major irrigation dams. As a condition of the licence issued by DWE, these licence holders are required to equip their pumps with meters to record their water extractions. In the major alluvial groundwater systems, from which most groundwater is extracted, the bore is also generally required to be metered. Combined, these represent around 90% of all water extracted in NSW.

In the unregulated river systems, and many of the coastal groundwater systems, other methods are mostly used to check a licensee's compliance with their entitlement.

NSW will progressively increase the number of licences for which water meters are required to be installed. High capacity users will be the main focus. It is planned that by 2008 about 16% of the licences in the unregulated and groundwater systems will be monitored. This will represent over half of the water volume. The proportion of licences that are currently metered is shown in Table 1.8.

The focus for 2006-07 was the development of national standards for water meters to ensure accurate and reliable measurement of the amount of water that is extracted. The Water Information Exchange, or WIX, system is being developed to make the transfer of meter readings to DWE easier.

Table 1.8: Water Metering

Water Metering	2004-05	2005-06	2006-07
Proportion (%) of licences metered	34	34	34

Water compliance monitoring

The Department uses a number of methods to monitor compliance with the WA1912, the WMA2000 and the *Rivers and Foreshores Improvement Act 1948* (RFIA). The three main tools of compliance are education, audit and enforcement. Detection methods for alleged breaches of water legislation are based on an intelligence driven system and include a combination of a number of tools such as reports from community, high-resolution satellite and thermal imagery, and aerial surveillance. Information obtained in this way is captured, and targeted education, audit and enforcement are developed based on that information.

DWE also works closely with other NSW agencies such as State Water Corporation, Department of Primary Industries (DPI) and the Commonwealth to ensure that water is shared equitably between a variety of users and the environment.

DWE has developed a number of compliance activities including:

- identification of State Significant cases;
- investigated meter tampering and alleged illegal water extraction in conjunction with State Water;
- investigated drillers operating without licenses or outside their licence class around the State;

- issued directions to remove or modify dams to comply with farms dams policy; and
- prosecuted landholders for using unlicensed works and failing to comply with directions.

Outcomes of investigations under the legislation administered by DWE during the past year are shown in tables below. It should be noted this includes all matters finalised but does not include matters currently being investigated, or possible breaches which may have occurred during this time but have not yet been reported to the Department.

Table 1.9: Compliance investigations

Act	Investigations	2005-06	2006-07
WA / WMA	Total number of investigations*	114	115
	Percentage (%) and number finalised**	(68) 78	(46) 53
	Number of ongoing investigations***	36	62
RFI	Total number of investigations*	81	42
	Percentage (%) and number finalised**	(65) 53	(83) 35
	Number of ongoing investigations***	28	7

* The total number of investigations commenced during the financial year.

** The total number of investigations completed. When an investigation is finalised an outcome is determined (compliance action and/or no compliance action). Refer to Table A2.2 for breakdown of outcomes. An investigation can have more than one outcome.

*** The figure represents the number of investigations ongoing at the end of each year.

Table 1.10: Compliance outcomes determined

Act	Outcomes of completed investigations	2005-06	2006-07
Water Act	No compliance action*	47	35
	Warning/negotiation	30	28
	Remediation agreement	0	0
	Remediation notice	4	1
	License suspension	1	0
	Prosecution	0	0
Water Management Act	No compliance action*	18	10
	Warning letter	10	19
	Stop work order	0	0
	Remediation agreement	0	0
	Remediation notice	1	4
	Penalty notice	2	0
Rivers and Foreshores Improvement Act	No compliance action*	38	16
	Warning letter	21	17
	Stop work order	2	0
	Remediation agreement	5	6
	Remediation notice	21	3
	Prosecution	0	1

* This figure represents the total number of cases that have an outcome scored as 'No compliance action'.

The 'No compliance action' outcomes include a range of responses such as 'Actioned by other agency', 'Advisory letter', 'Authorised', 'Decided not to pursue', 'Exclusion', 'Exempt', 'No clearing/works', and 'Not covered under the Act'.

For complex cases, there may be more than one 'No compliance action' and/or multiple 'Compliance actions'.

KEY PERFORMANCE INDICATOR

Level of compliance with legislation and statutory instruments – variable

Industry adjustment and improved water environments

Structural adjustment programs

Agreement was reached between the Commonwealth and NSW Governments for distribution, under the *Achieving Sustainable Groundwater Entitlements Program*, of \$135 M in assistance to irrigators and regional communities affected by reductions in their groundwater entitlements through the water sharing plan rules.

Cap & Pipe the Bores

The Great Artesian Basin lies beneath 22 per cent of Australia and is one of the largest underground water resources in the world. The Cap & Pipe the Bores program aims to reduce losses of water that occur in the antiquated open bore drains. Bringing artesian bores under control and replacing bore drains with efficient piped reticulation schemes also helps to improve land and environmental management in the Basin.

Stage 2 of the five year Great Artesian Basin Sustainability Initiative agreement commenced in July 2004 between the Commonwealth and NSW Governments. The program will jointly invest \$32 million in the Cap & Pipe the Bores Program in NSW until June 2009. The program provides incentives to landholders to offset the cost of rehabilitating bores and installing efficient piped systems.

In recent times a number of the highest flowing bores in NSW have been capped. This year, 20 artesian bores were rehabilitated and 1,162 kilometres of bore drains decommissioned on 130 properties, saving 10,379 megalitres of water a year. The table below shows achievements of Cap & Pipe the Bores program over the last three years.

Table 1.11: Cap & Pipe the Bores

Performance Indicator	2004-05	2005-06	2006-07
Free flowing bores yet to be controlled	386	346	321
Bores treated	40	25	20
Water savings (megalitres / year)	7,821	2,879	10,379
Properties involved	120	53	130

Darling River Water Savings

Through the *Darling Water Savings Project* a range of options are being investigated to improve the water supply and management of the entire Darling River system. This includes measures to reduce evaporation losses from Menindee Lakes which can be as high as 750 gigalitres in dry years.

The report on the preliminary phase of this project was released in April 2007. The report outlines six potential water saving schemes aimed at reducing the losses from the Menindee Lakes, securing water supply for Broken Hill and high security users, increasing water use efficiency, and delivering water for the environment. The water saving schemes include possible changes to the operation of the Menindee Lakes. This report will form the basis for further, more detailed investigations leading to the development of a 20-year strategic plan for the Darling River System.

Temporary Water Savings Projects

The water supply situation facing the Murray Valley was critical throughout 2006–2007. The Department investigated a number of temporary water savings measures in the Murray and Wakool River. The following measures, agreed to by the Murray Darling Basin Ministerial Council, could save up to 35 gigalitres:

- The installation of temporary regulating structures at Tareena Billabong (Murray off Lock 6), Back Creek (Wakool System), and Taila Creek (Euston Lakes);
- Improved regulation at Tumudgerry Creek (Edward River);
- Lowering of Weir Pools - Locks 8, 9, and 15.

The water supply systems were operated with the assistance of NSW State Water to convey water as efficiently as possible.

Environmental works and measures

DWE administers a number of environmental and river works programs on behalf of the Murray Darling Basin Commission (MDBC) and Snowy Hydro Limited. The focus of the MDBC Works and Measures Program in NSW is on:

- Koondrook Perricoota Forest Flood Enhancement project – construction of a regulator and channel to bring floods to the forest;
- Tuppall Bullatale flow enhancement in the Millewa Forest and the River Murray;
- Fishways at the Edward River Offtake and Stevens Weir on the Edward River;
- Re-snagging for fish habitat in the Hume to Yarrawonga section of the Murray; and
- Rehabilitation of Moira Lake and the Chowilla Floodplain.

The River Works and Maintenance Program is an MDBC investment of \$2.7M annually to 2011 to rehabilitate the bed and banks of the River Murray Channel using vegetation management – replacing willows with natives, and river bank stabilisation using groynes and sediment management techniques.

Similar works are also undertaken in the Upper Murray and Tumut Rivers for Snowy Hydro.

The Snowy Joint-Government Enterprise

A joint-government enterprise (JGE) was established in December 2003 to implement the findings and recommendations of the Snowy Water Inquiry. The Australian, NSW and Victorian Governments have committed \$375 M over eight years to achieve targeted total water savings of 282 GL, 212 GL for the Snowy River and 70 GL for the Murray River. The NSW Government has invested \$150 M.

Operating as Water for Rivers, the JGE commissions environmental and riverine works as agreed by the member governments. During the year work was completed on stage 2 of the Forest Creek alternative water supply scheme which will save 15 GL of water and on the automation of the operation of Coleambally Irrigation Area's channel which will save 3.5 GL.

Table 1.12: Snowy JGE Water Recovery

Volume (GL) of water recovered for the environment in NSW under Snowy JGE-Water for Rivers	2004-05	2005-06	2006-07
- Edward River wetlands	7.1		
- Forest Creek stage 1	11.3		
- Barren Box swamp	n/a	20	
- Forest Creek stage 2			15.0
- Coleambally Channel Automation			3.5
TOTAL	18.4	20	18.5

A number of projects were also under detailed investigation which could provide a further 35 GL of water savings.

KEY PERFORMANCE INDICATOR

Proportion (%) of Snowy and Living Murray programs targets/milestones achieved - on target Not able to measure specific proportion at this stage however substantial progress continues to be made.

Snowy River environmental flow response monitoring

The Snowy River Environmental Flow Response Monitoring is undertaken to provide information to Government (NSW, Victorian and Australian) and the public on the ecological response of water releases to the Snowy River.

The project measures the response of the following river attributes: river discharge, water quality, physical habitat, water plants, water bugs and fish.

The data collected, and the modelling undertaken will allow the response of the selected river attributes to be defined, as well as allow stakeholders to start to optimise future environmental water releases according to known river discharge-ecological thresholds. Ultimately, this advice will assist in the flow related rehabilitation of the Snowy River downstream of Jindabyne.

During this year all of the available data was analysed to assess the environmental outcomes of the first stage (2000-2005) of the water releases to the Snowy River. A series of draft reports has been initiated for each of the major river attributes, including the hydrology, water quality, physical habitat, aquatic plants, water bugs and fish. These reports will be used for: (a) the 5 year review of the Snowy Water Licence; and (b) the Snowy Scientific Committee considerations.

Additionally, the field studies have started to integrate high resolution aerial photography and field based topographic surveys, with hydraulic models. These studies will allow links between river discharge, and river attributes ie the development of ecological flow response models. The key water management challenge will be to integrate the information generated into the various water management activities for the Snowy River.

Table 1.13 Snowy River environmental flow response monitoring

Snowy River environmental flow response monitoring	2004-05	2005-06	2006-07
Condition of freshwater ecosystems	poor	poor	poor
Vol (GL) of water set aside for the environment	23.5	40	36.9

Blue-green algal management

Blue-green algae pose a major risk to water users, because a number of common bloom forming species produce potent toxins, and all blue-green algae can produce contact irritants. Blooms therefore represent a major water quality and public health problem, especially in summer when algal growth is most active. Blue-green algal monitoring is therefore undertaken each year to help manage blooms and reduce their impacts on town water supply, stock and domestic use, and recreational activities. In addition the recent drought conditions have limited the amount of surface waters available for human use, so reducing the impacts of algal blooms on what water is available becomes imperative.

Algal management is conducted by nine Regional Algal Coordinating Committees (RACCs) which collectively cover the entire state. Coordination of each committee is undertaken by DWE.

A targeted monitoring schedule was generally achieved for all major rivers managed by DWE, as well as in reservoirs managed by State Water Corporation. Warnings were issued as soon as the data indicated that the Red alert guideline for recreation was exceeded. Water utilities were also routinely advised of monitoring results so that additional treatment could be implemented to ensure that town water supplies would meet drinking water standards during blooms. Weekly briefing notes were also provided to keep the Minister informed of the current situation.

Despite the drought, there were fewer major blooms than anticipated in the State's major rivers, including the Murray, Murrumbidgee, Lachlan, Macquarie, Namoi, Gwydir and Barwon-Darling. A number of State Water Corporation reservoirs, including Pindari, Copeton, Windamere, Lake Cargelligo and Menindee Reservoirs, did however suffer long term blooms throughout the summer. These were effectively managed through notifications to the public.

Informed decisions

NSW Natural Resources Monitoring, Evaluation and Reporting Strategy

Under the NSW Government State Plan – Priority E4: Better outcomes for native vegetation, biodiversity, land, rivers and coastal waterways – there are two specific targets which are DWE responsibility. These are:

- **Target 5** *By 2015 there is an improvement in the condition of riverine ecosystems.*
- **Target 6** *By 2015 there is an improvement in the ability of groundwater systems to support groundwater dependent ecosystems and designated beneficial uses.*

The NSW Natural Resources Monitoring, Evaluation and Reporting Strategy coordinates natural resource management across NSW State agencies. It integrates biophysical monitoring programs to meet the State's reporting obligations for the State Plan, State of the Environment Reporting, Catchment Health Report Cards, the National Land and Water Audit and the Australian Government. The state-wide targets guide and assist the Catchment Management Authorities with investment in natural resource management.

The MER Strategy will provide a State wide indication of resource condition. The monitoring and reporting on the performance measures and indicators in each of the WSPs will enable reporting on the impacts of the implementation of the WSP and enable identification of where alterations to the plans may be required to ensure improved condition of rivers, aquifers and wetlands.

During 2006-07 achievements included:

- Identified program managers, data custodians and established project teams;
- Developed Implementation Plans;
- Progressed the State of the Catchment reporting template;
- Development of plans for new monitoring programs is underway;
- Substantial monitoring of aquatic fauna (macroinvertebrates and fish) as indicators of riverine ecosystem condition (Target 5) achieved;
- Collection of hydrographical and hydrogeological information as indicator of riverine ecosystem and groundwater condition (Target 5 & 6) maintained;

- Collection of groundwater usage information in the WSP areas to assist in the ability to monitor the ability of groundwater systems to support groundwater dependent ecosystems and designated beneficial uses (Target 6); and
- Trial of the use of Remote Sensing Data to identify Terrestrial Groundwater Dependent Ecosystems.

KEY PERFORMANCE INDICATOR

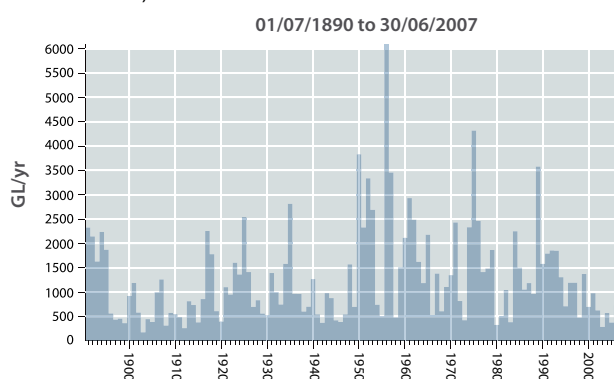
Proportion (%) of analysis and reporting targets/milestones achieved - >75%.

With regard to reporting aspects, Catchment Health Report Cards will be due for publication by June 2008

Resource monitoring

DWE provides the largest source of water information in NSW covering quantity and quality. DWE's records of river flows at various locations across the State extend back more than 100 years. The following figure shows the very low inflows into Burrinjuck Dam on the Murrumbidgee River that have been experienced in recent years because of the ongoing drought.

Long term Burrinjuck Dam Annual Inflows (Years plotted as 01/07 – 30/06)



To assist with monitoring water resources, new monitoring sites, particularly in the groundwater area, have been installed. Tables 1.14 and 1.15 show the number of new monitoring sites and the total number of sites monitored by DWE.

Table 1.14: New sites installed

New Sites installed	2004-05	2005-06	2006-07
Fully Instrumented Surface Water Monitoring Sites	6	7	4
Minimally Instrumented Surface WSP site	10	2	5
Fully Instrumented Groundwater Monitoring Sites	27	42	38

Table 1.15 Total operational monitoring sites

Total operational monitoring sites	2004-05	2005-06	2006-07
Surface Water Continuous Sites*	950	930	923
Continuous Groundwater Sites	600	600	632
Grab Sample Water Quality Sites	460	370	309
Manual groundwater sites	4,900	4,575	3626

*Includes continuous water quality sites

Real time data collection

The Department has installed a new centralised telemetry system for downloading data from over 600 river gauging sites around NSW. This enables the previous 24 hours of data to be collected from the whole state in about 20 minutes

This information is collected and processed and automatically sent to key clients including State Water, MDBC and the Bureau of Meteorology. As well, the information is made available on the Department's web site <http://waterinfo.nsw.gov.au>

The Department's new corporate telemetry system was tested during the recent Hunter River floods and was assessed by the Bureau of Meteorology as a reliable system for the supply of data for flood warning purposes.

Water resource information online

The information from the Department's water resources monitoring programs is available on the DWE website at waterinfo.nsw.gov.au. The website received over two million hits during the last year. This site provides users with access to a range of important water information:

- NSW Provisional River Data – real time stream water level data to at least 6:00 am on the current day, in graphs or tables from over 600 sites around the state;
- NSW Water Quality Data Availability – details of manual water quality sampling undertaken at each site;
- NSW Daily River Reports – a table of the last seven days' river levels and flow information for major basins and for selected groups;
- NSW Storage Reports – graphs of the last two years of water levels in major irrigation storages; and
- NSW Groundwater Works – reports of the construction details of registered bores.

The implementation of the Water Information Exchange (WIX) system has been delayed and is now expected in 2007-08. WIX will offer water access licence holders a simple, fast way to provide information (such as meter readings, water orders, gauge readings and crop statistics) directly into the corporate database. Farmers will also have instant access to comprehensive and up-to-date information on their pumping conditions, their account balance, gauging information and their customer profile, which consists of information such as access licence and work approvals held, registered works and account details. The WIX system will support the implementation of WSPs with more detailed and timely data and information.

Murray-Darling Basin Sustainable Yield Project

In November 2006, the Prime Minister, the Premiers of New South Wales, Victoria and South Australia and the Acting Premier of Queensland commissioned CSIRO to "report progressively by the end of 2007 on sustainable yields of surface and groundwater systems within the Murray Darling Basin including an examination of assumptions about sustainable yield in light of changes in climate and other issues".

As a result, the National Water Commission contracted CSIRO to report on current and future water availability

in the Murray-Darling Basin. By the end of December 2007, the project will:

- Develop a transparent, consistent and robust method for determining the extent of available water resources in each major catchment and aquifer and the Murray-Darling Basin as a whole
- Apply the method to estimate the quantity and temporal variability of water resources that are available under current water sharing arrangements
- Apply the method to estimate water availability and demand 20 years into the future in the light of predicted climate change and other risks.

DWE is collaborating with CSIRO in surface and groundwater modelling, data supply, methodology development and technical review to deliver this project. This includes the rainfall-runoff modelling component, where DWE staff have been given a leading role, and river system modelling component, where DWE staff also have a major role.

Shoalhaven River Environmental Flows and Transfers: Scientific Advisory Panel

The NSW Government established a Scientific Advisory Panel, which comprised NSW Government scientists, to develop a new environmental flow regime for the Shoalhaven River below Tallowa Dam. The main task was to balance the new water extraction requirements from Tallowa Dam - an additional 30GL/year to the Sydney water supply - while protecting the downstream Shoalhaven River.

The Panel undertook a range of modelling and field based studies in the Shoalhaven River to determine the ecological impacts of Tallowa Dam on the river, develop models of the relationship between environmental attributes of the river and flow and provide recommendations on an ecologically sustainable flow regime. The products produced by the Panel provide a greater understanding of the river including the estuary, and demonstrate to the community a knowledge based decision by the NSW Government.

During 2006-07, the Scientific Advisory Panel finalised the majority of field and modelling studies, and made a recommendation to Government regarding the most environmentally advantageous flow regime for the Shoalhaven River, within the constraints of additional water transfers. The information generated from the Panel was instrumental in demonstrating the links

between the dam operation, including releases, and the condition of the Shoalhaven River. For example, critical river discharge thresholds were developed for a range of river attributes including flows required for the passage of Australian Bass, the breakdown of thermal stratification in the pools of the river, scouring of introduced water plants and the movement of bedload sediment.

The Panel was able to integrate new technologies (LIDAR, infrared photography, and topographic surveys) to develop a three dimensional representation of the river from Tallowa dam to the estuary mouth. These data and other ecological data provided inputs to the modelling and options analysis, and allowed key ecological processes to be considered.

Additionally, these data sets will allow the Government to demonstrate evidence based decision making, and provide a platform for further development of ecological flow response models for the Shoalhaven River. These data will also allow the Government to identify key water requirements for the riverine ecosystem.

Integrated Monitoring of Environmental Flows (IMEF)

IMEF provides feedback to water committees in terms of the effectiveness of Water Sharing Plans (WSPs), for both short term releases, but also longer term effects of environmental flow rules which need to be documented to facilitate the 10 year reviews of WSPs. The intent is to ensure more effective use of environmental flows.

IMEF provides the necessary monitoring and evaluation required under both the Water Management Act and the regulated river WSPs with the underlying science and documented outcomes underpinning future reviews of water availability and resource condition.

IMEF co-funded research by Charles Sturt University into resetting biofilms in lowland rivers through environmental flow releases.

The IQQM water quantity model is being updated for the Macquarie Marshes to ensure greater accuracy of water distribution within the Marshes as a result of the new modelling that has been undertaken using for terrain modelling.

We have a number of IMEF hypothesis reports (which explain responses to environmental flows for different components of the ecosystem) near completion. In

particular reports on biofilms, algae and wetlands should be finished in 2007-08.

The Airborne Laser Sensing Project will capture laser data and aerial photography for about 1 million hectares, and then generate digital elevation models with this data.

Cost recovery for water management services

The Independent Pricing and Regulatory Tribunal (IPART) sets the maximum prices that can be levied by DWE on water users for its water management activities, for issuing water licences and approvals, and for administering water transactions such as water trading. IPART released its pricing determination in September 2006 for the next four years.

The fees and charges set by IPART provide for progress towards full cost recovery, consistent with national water reforms, including the 1994 COAG Strategic Water Reforms and the 2004 NWI. By the end of the price path in 2010, the majority of valleys measured by volume of extraction will have achieved full cost recovery. On a Statewide basis, full cost recovery will be achieved by 98% of regulated river valleys, 88% of unregulated river valleys and 75% of groundwater areas.

In a limited number of small valleys with low volume or very few water users, it is acknowledged that full cost recovery may not be achieved in the medium term because water charges would need to be set at a very high level to recover the costs of core water management activities. In these instances, any resultant subsidies are made transparent.

The longer term (four year) price path set by IPART provides farming and other bulk water users with a greater degree of certainty and control for their business planning. It also assists DWE with its current program of establishing its water management services as a discreet, transparent and accountable core business entity. This will enhance the ongoing monitoring, reporting and evaluation of water management business performance during the determination period and in future years.

Groundwater Drilling

DWE operates a drilling unit which provides specialist services particularly for the drilling of very deep bores. In 2006-07 the drilling unit completed nine deep artesian replacement bores between 1,100 and 1,300 metres depth for the Cap and Pipe the bores program. These will lead to a saving of approximately 6,000 megalitres per year once the bores are piped.

Many other projects were drilled including the drilling of seven production bores at Kangaloon for a trial pump test for Sydney's water supply. Drought proofing bores were installed for the towns of Eden and Gilgandra. Additional monitoring bores were also established in the Murrumbidgee and Lachlan valleys.

KRA 2

Urban water utilities

Overview

Planned result Urban water supplies are reliable and sustainable and services are well managed, efficient and equitable across NSW.

Planned outcomes

- Water supplies diversified and balanced with demand
- Enhanced LWU performance and management
- Value for money water infrastructure in place
- Water education, conservation and recycling programs in place
- Equitable access to water services and supported customers

Major outcomes achieved

- Coordinated implementation of the Metropolitan Water Plan, under which a range of major projects have been delivered by many agencies across the NSW Government including: access to the water deep in Warragamba and Nepean Dams; a contract for the construction and operation of a desalination plant at Kurnell powered by 100 per cent accredited renewable energy; and investigation of groundwater supplies.
- Supported the Independent Review Panel of experts, chaired by Professor Peter Cullen, which oversighted implementation of the Metropolitan Water Plan and provided advice to the Premier on matters concerning Sydney's water supply and demand balance.
- Prepared a progress report on the Metropolitan Water Plan which was endorsed by the Independent Review Panel and released by the Government in September 2007. This revealed that 32 milestones have been completed, 43 are on track and only two have been delayed. In total, 97% of milestones have either been achieved or are still on target towards achievement.
- Facilitated development of Australia's first State-based access regime under the *Water Industry Competition Act 2006* to make it easier for the private sector to invest in recycling and facilitate the best use of existing infrastructure.
- Managed the amendment of the *Pipelines Act 1967* to facilitate the construction and operation of new pipelines by the private sector and to reduce approval times from one year to between four and six months.
- To encourage the appropriate use of greywater, DWE developed and released user friendly guidelines, fact sheets and a self assessment form to support best practice management of greywater systems.
- Significant progress has been made on the creation of a Sydney Recycled Water Grid with some elements of the Grid already under construction (notably the Liverpool to Ashfield Pipeline).
- To protect public health and assist councils and the private sector, DWE has published a *NSW Guideline for the Management of Private Recycled Water Schemes*.

- To better understand impacts of climate change on Sydney's water availability, further work has been commissioned, including a significant research project initiated by the NSW Government and being conducted collaboratively between DWE, the CSIRO, a range of agencies and academic organisations.
- DWE managed the cross-Government *Water for Life* Education Program, a \$10.7 M comprehensive four year education program to engage the 4.3 million people in the greater Sydney community to play their part in securing our water for the future.
- The Country Towns Water Supply and Sewerage Program has now completed over 320 water supply and sewerage projects which have delivered enhanced public health, environment and security of supply outcomes to over 1 million residents living in country NSW.
- DWE assisted local councils in managing their water supplies during the drought. The drought situation in early 2007 worsened dramatically, with storages and river flows at or below record levels. At the peak of the drought in May 2007, water was being carted to 8 communities, 51 communities were in danger of water supplies failing in 3 months and a further 128 were at risk of failure in 12 months.
- DWE provided a range of assistance to over 100 local water utilities to implement Integrated Water Cycle Management (IWCM) which requires that water services be managed sustainably and with due consideration of natural processes, other water users (including the environment) and the broader catchment issues.
- All the NSW local water utilities have now abolished their water allowance for potable water supply, thus meeting a key requirement of the *National Water Initiative*.
- Average annual residential water consumption per property for non-metropolitan NSW is 190kL/a. This has fallen by over 40% over the last 15 years and is lower than all the other Australian states.
- Ninety five percent of local water utilities are now achieving full-cost recovery for their water supply and sewerage businesses and the remainder of the utilities have committed to achieving full cost recovery by June 2009, as required by the revised *Best-Practice Management Guidelines*.
- Efficiently coordinated the distribution by Sydney Water and Hunter Water Corporations of about \$88 million under the Pensioner Rebates Schemes.

Key Performance Indicators

Proportion of Metropolitan Water Plan targets/milestones achieved.	97%
Number of people benefiting from water supply system improvements in non-metropolitan NSW.	30,000
Number of people benefiting from improved sewerage systems in non-metropolitan NSW.	80,000
Population in non-metropolitan NSW with a reticulated sewerage service.	1,680,000 (94.6% coverage)
Proportion of requirements of <i>Best-Practice Management Guidelines</i> met by LWUs.	65%

Urban water utilities

Performance report

In order to manage this key result area effectively, the Department has arranged the outcomes into two broad areas: Urban water management in the Sydney Greater Metropolitan and Hunter areas; and in non-metropolitan NSW.

Metropolitan Water Services

The Metropolitan Water Plan

A key accountability of the Department is coordination of the development, implementation and review of the *Metropolitan Water Plan* which secures Sydney's water supplies.

The Plan outlines the mix of measures essential to ensuring Sydney's water needs are met in response to drought, a changing climate and the medium-term needs of a growing population.

The core elements of the Plan are:

- Updating the *Plan* regularly to reflect recent decisions and developments, including what we learn about changes in community behaviour, climate change and advances in technology;
- Diversifying Sydney's water sources to insure against drought;
- Increasing water supplies to serve a growing population;
- Increasing recycling to save drinking water for drinking – the volume of recycled water will rise to 70 billion litres a year by 2015;
- Using water more wisely – water efficiency measures will save 145 billion litres of water a year by 2015;
- Protecting the environmental health of rivers;
- Creating a competitive and dynamic water industry to enable the private sector to be innovative and recycle more.

Actions under the Plan are implemented by a range of NSW Government agencies and bodies, as well as local government, private businesses, non-government organisations and individuals. This highlights the importance of the Department's coordination role.

In addition, the Department is itself responsible for the delivery of a number of Plan initiatives related to: recycling; river health; climate change; competition reforms; and the *Water For Life* Education Program.

1. Coordinating the Plan's implementation

In the 2006–07 year, many implementation actions have been initiated and completed by NSW Government agencies and other bodies.

To increase and diversify water supplies:

- the Sydney Catchment Authority has modified its infrastructure and installed new pumps to access deeper parts of Warragamba and Nepean Dams, increasing long term water availability by 40 billion litres a year;
- Sydney Water has signed a contract for the construction and operation of a 250 million litre a day desalination plant at Kurnell, to be powered by 100 per cent accredited wind energy; and
- the Sydney Catchment Authority is progressing its extensive investigations of groundwater bores in the Kangaloon, Leonay and Wallacia areas that will supply up to 45 billion litres a year for two to three years during a severe drought.

To increase recycling to save drinking water for drinking purposes:

- the volume of recycled water has risen from 15 billion litres to over 22 billion litres a year, with the commissioning of Australia's largest industrial recycling project in Wollongong;
- Sydney Water has signed a contract to build a new advanced water treatment plant as part of the Western Sydney Recycled Water Initiative to produce a further 18 billion litres a year of recycled water to substitute for current environmental releases from Warragamba Dam;
- Sydney Water is expanding Australia's largest residential recycling scheme at Rouse Hill and building a similar 'third pipe' recycling system at Ropes Crossing and Hoxton Park;
- the Government has announced that the Sydney Recycled Water Grid will provide 30 billion litres of recycled water a year to established areas of Sydney, to be coordinated by the Department; and
- The Department has released guidelines for the operation and maintenance of decentralised recycling systems.

To reduce demand for water by using water wisely:

- at least one in four homes in Sydney has participated in Sydney Water's *WaterFix* program and now uses water-efficient showerheads and other water saving devices;
- over 360 businesses have participated in Sydney Water's *Every Drop Counts* program, saving 11 billion litres of water a year;
- all homes approved for construction are now designed to use 40 per cent less from the drinking water mains; and
- the Department and other agencies have undertaken a range of activities under the *Water For Life* program to educate Sydneysiders about the value of water and the Metropolitan Water Plan.

To improve river and catchment health to protect the environment:

- the Department has developed new rules about releasing water from Tallowa Dam to ensure the environmental health of the lower Shoalhaven River;
- the Sydney Catchment Authority has completed modifications to Avon Dam to allow environmental water to be released into the Avon River for the first time; and
- the Department continues to lead the development of water sharing plans for the river and groundwater systems of the metropolitan region in accordance with the *Water Management Act 2000*.

To encourage innovation and further recycling by the private sector:

- the Department has facilitated development of Australia's first State-based access regime under the *Water Industry Competition Act 2006* to make it easier for the private sector to invest in recycling and to facilitate the best use of existing infrastructure; and
- the Department has facilitated amendment of the *Pipelines Act 1967* to enable the construction and operation of new pipelines by the private sector and to reduce approval times from one year to between four and six months.

As part of its coordination role, the Department supported the Metropolitan Water Chief Executive Officers' Committee. It also provides secretariat and other support to the Independent Review Panel of experts, chaired by Professor Peter Cullen, which oversights implementation of the Plan and provides advice to the Premier on matters concerning Sydney's water supply and demand balance.

DWE prepared a summary of progress on the Metropolitan Water Plan, which was endorsed by the Independent Review Panel and released by the Government in September 2007. This revealed 32 milestones have been completed, 43 are on track and only 2 have been delayed. In total 97% of milestones have either been achieved or are still on target towards achievement.

KEY PERFORMANCE INDICATOR

Proportion of Metropolitan Water Plan targets/milestones achieved – 97%

2. Facilitating water recycling**Facilitation of recycling schemes**

The Department was involved in facilitating a number of water recycling proposals on behalf of the Government, both within Sydney and elsewhere in the State. It acted as a one-stop shop for proposals where the private sector was the proponent. This required the Department to liaise with Sydney water and key Government agencies, and provide technical and commercial advice to each proponent. Some of the significant private sector projects included recycling schemes located at Kurnell, Botany, Manly and Kogarah. This included a project to supply Caltex and Continental Carbon with recycled water for their industrial processes.

Sydney Recycled Water Grid

In February 2006, the Premier announced that the Government would increase water recycling in Sydney beyond the previously-announced target of 70 billion litres a year by 2015, to 100 billion litres a year by about 2032, via the creation of a Sydney Recycled Water Grid. The Grid is supported by a new five year \$100 million Recycling and Stormwater Harvesting Program, part of the Climate Change Fund.

The vision for the Grid is for effluent and stormwater to be recycled and supplied to industrial, open space and residential customers for non-drinking purposes within the already urbanised areas focussed on central, eastern and inner-western Sydney, with the aim to cost effectively meet the stated target of 100 billion litres by about 2032.

Progress has already been made by Sydney Water in relation to the development of the Grid. Some elements of the Grid are already under construction (notably the Liverpool to Ashfield Pipeline) or at an advanced planning stage (notably the Camellia/Rosehill industrial recycling project). Other parts of the Grid require further work, including strategic planning studies and negotiations with large water users to ensure appropriate uptake of recycled water.

Encouraging appropriate reuse of greywater

Greywater is wastewater from a household's shower, basin, bath and washing machine. It can be directly diverted to a garden, using authorised devices and plumbing fittings that can be easily installed by a plumber. More households are seeking to do this in the current drought, as water restrictions limit how gardens can be watered with drinking water. Previously, such simple diversions of greywater to gardens required the approval of the local council.

If some simple precautions are followed, diverting greywater for single-dwelling gardens is a very low risk undertaking in terms of health and environmental impacts and can replace the use of drinking water for purposes where that quality of water is not needed.

To encourage the appropriate use of greywater, DWE developed and released user friendly guidelines, fact sheets and a self assessment form to support best practice management of greywater systems. It also planned training and education programs, to be conducted in late 2007, targeting local government officers in their ongoing role in greywater management.

NSW Guideline for the Management of Private Recycled Water Schemes

There has been increasing interest in the construction and operation of private recycled water schemes as a result of initiatives such as BASIX, the development assessment tool that mandates a level of water demand reduction in new and renovated homes and apartments. For example, as a measure to comply with BASIX, a recycled water scheme could be located in the basement of an apartment block to provide recycled water for toilet flushing to all residents and for garden irrigation.

Approval to construct such schemes is provided by local councils. However, most councils, particularly in the Sydney region, have limited experience in regulating recycled water schemes. To protect public health and assist councils and the private sector, the Department has developed a *NSW Guideline for the Management of Private Recycled Water Schemes*. The guideline emphasises a risk management approach that encourages water recycling that is safe, economically viable, environmentally sustainable and socially acceptable. This approach is in line with the National Recycled Water Guidelines. The guideline will assist councils and the private sector and improve the consistency and efficiency of the governance of these systems, by providing better defined approval, inspection and monitoring arrangements for private recycled water schemes.

3. River health

Maintaining and improving the health of the rivers that supply Sydney with water is an important part of the Metropolitan Water Plan. Two important developments that DWE progressed during 2006–07 are outlined below.

Developing new environmental flow rules for the Shoalhaven River

In 2004, the Hawkesbury-Nepean River Management Forum (made up of scientists, government and community members) recommended that the Government implement new rules for environmental flow releases at Tallowa Dam, subject to detailed ecological, economic, social and engineering assessments. These assessments also needed to take account of the role of Tallowa Dam in providing water supplies for Sydney, Nowra and towns in the Southern Highlands.

DWE, other NSW Government agencies, external scientists and other specialists worked in consultation with the Shoalhaven Community Reference Group, Shoalhaven City Council, Southern Rivers Catchment Management Authority, Aboriginal communities, industry groups and community members, to undertake these detailed technical investigations and to make balanced recommendations to Government on the new flow rules for Tallowa Dam. The investigations and consultation confirmed that the Forum's recommended flow rules, along with the modifications to Tallowa Dam, would achieve environmental improvements for the Shoalhaven River.

Developing water sharing plans

Sydney's naturally occurring freshwater must be shared between the environment, agriculture, industry and urban consumers. Water sharing plans are the means by which rules can be established that define how this sharing occurs. The rules also give more certainty to licensed water users about the conditions under which they can extract water from rivers and aquifers, and ensure that the environment is protected.

The Department drafted water sharing plans for the river and groundwater systems of the metropolitan region, in accordance with the *Water Management Act 2000*. Consultation on the draft water sharing plans, including formal public exhibition, will occur in 2008, so that the community can provide feedback on the proposed water sharing rules.

The water sharing plans will provide the statutory mechanism for allocating water to Sydney's urban use and to irrigators, and for protecting the water allocated to the environment. The plans will specify annual limits on water diversions for Sydney's drinking water supply and annual and daily limits for other licensed extractors of water, such as irrigators. The plans will facilitate the implementation of measures identified in the Metropolitan Water Plan by encouraging increased water recycling and innovations in supply sourcing through limitations on the extractions of surface and groundwater.

4. Climate change project

Managing Sydney's water supply and demand balance over the long term requires improved understanding of climatic cycles and trends, as well as improved understanding of the best ways to respond to such cycles and trends.

DWE is currently participating in research to predict the effect that climate change will have on Sydney's water availability. Impacts are likely to include:

- Higher temperatures
- Changed rainfall patterns
- Increased evaporation
- Longer more intense droughts.

It is recognised that the impact of climate change on Sydney's stored water supplies will depend on the time of year that most rain falls in the future and whether the ground is already wet due to earlier rain. Also, the demand for water could be different under a

changed climate. To better understand these questions, further work specifically targeted to Sydney has been commissioned, including a significant research project initiated by the NSW Government and being conducted collaboratively between the Department of Water and Energy, the Department of Environment and Climate Change, CSIRO, the University of New South Wales, Sydney Water Corporation, Sydney Catchment Authority, and the Commonwealth Government's Australian Greenhouse Office. The results of this study are expected to be available by the end of 2008, and the study will inform future Metropolitan Water Plans.

Given that our information base about climate change projections and anticipated impacts will improve over time, it is important to maintain an adaptive approach to managing Sydney's water supply.

5. Competition reforms

In 2006, DWE facilitated the development and implementation of an innovative package of competition reforms. Internationally, the only examples of metropolitan water industry competition reforms of this dimension are recent developments in the United Kingdom which are limited to the services of drinking water infrastructure.

The overarching objective of these reforms is to promote competition in the metropolitan water and wastewater industries, and thereby encourage new investment and innovation, in particular in the recycling of water, without compromising the pre-eminent objectives for the industry: the protection of public health, the environment and consumers.

DWE has facilitated development of Australia's first State-based access regime under the *Water Industry Competition Act 2006* to make it easier for the private sector to invest in recycling and to facilitate the best use of existing infrastructure. The Act also includes a new licensing framework for the new private sector service providers to ensure the effective operation of privately owned water infrastructure and the continued safeguarding of public health, consumers and the environment. DWE is currently developing regulations to support the licensing provisions of the Act.

6. The *Water for Life* education program

Community involvement has been, and continues to be, an important element of the Metropolitan Water Plan. The NSW Government is investing \$10.7 M in a comprehensive four year education program to engage the 4.3 million people in the greater Sydney community to play their part in securing our water for the future. The *Water for Life* education program is a coordinated, whole of government approach to water education delivered through four key strategies:

- *Water for Life* campaigns and website - encouraging the wider Sydney community to keep up water saving efforts and informing the community about the range of NSW Government initiatives to secure Sydney's water;
- coordinating water education across Greater Sydney – building partnerships between state, local and non-government organisations and developing a collaborative Action Plan for Water Education;
- capacity building – providing professional learning, resources and tools such as community research, and supporting a network of water educators delivering leading practice water education projects; and
- targeted on-the-ground education projects – innovative partnerships to engage priority sectors of the community.

The Department manages the cross-Government *Water for Life* Education Program. It supports an inter-agency Education Group of communications professionals from DWE, Sydney Water, the Sydney Catchment Authority and the Department of Environment and Climate Change. It also supports a Reference Group comprising key non-Government stakeholders in water education.

Communications activities

A 2007 *Water for Life* advertising campaign ran from January till February, to inform community members of developments in the implementation of the Metropolitan Water Plan. Tracking research indicated significant shifts in community knowledge and attitudes to the water issue and Plan initiatives

A new-look Water for Life website at www.waterforlife.nsw.gov.au was developed. Tracking reports indicated strong community interest resulting in usage rates as high as 45,000 unique visits over the year.

Eight editions of the Water for Life eNews were issued to over 800 subscribers per month, containing stories on the initiatives of the Metropolitan Water Plan.

Communication kits were made available to the 44 councils within the greater Sydney area, containing a range of ideas for promoting Water for Life internally and externally.

Building the capacity of water educators

DWE established the cross-sectoral Water for Life Reference Group to coordinate and deliver capacity building activities for water education. Representatives include State, local and non-government organisations.

DWE, in conjunction with the Reference Group, coordinated the development of the preliminary draft of the *Action Plan for all metropolitan water education 2007-2011*. This will demonstrate NSW Government leadership and work toward broad alignment of objectives, activities and outcomes of state, local and non-government water education with the objectives of the Metropolitan Water Plan. Consultation on the draft Action Plan and its release will occur in 2007-08.

Targeted stakeholder engagement activities were also undertaken, including mapping water education activities and identifying the needs and opportunities for resources, projects and professional development. This will inform the development of the other elements of the capacity building program.

Targeted education partnership projects

In 2006-07, the Water for Life Education Program funded three targeted education partnership projects:

- the Property Council delivered 3 seminars to a total of 310 influential property industry representatives over four months;
- the Ethnic Communities Council delivered 37 workshops on water efficiency to the eight key language groups in the greater Sydney area with over 1,000 community influencers attending; and
- the Science and Geography Teachers Associations developed resources and a training package to support Science and Geography teachers to deliver water education in schools across NSW.

Supporting customers

DWE coordinates the Government's Pensioner Water Rebates Schemes wherein funds are provided to Sydney Water and Hunter Water Corporations for the payment of rebates on water bills to ensure that vulnerable customers have continued access to water services.

During the year the Department efficiently coordinated the distribution by the water corporations of about \$88 million under the Pensioner Rebates Schemes.

Non-metropolitan Urban Water Services

Country Towns Water Supply and Sewerage Program - Infrastructure

The NSW Government's Country Towns Water Supply and Sewerage Program is managed by the Department. It is a major government reform program that provides management, technical and financial support to local water utilities in the provision of water supply and sewerage services to country towns in NSW.

The program provides financial assistance to local water utilities towards the capital cost of works to address the backlog in water supply and sewerage infrastructure. Backlog relates to infrastructure necessary to meet the demand, loads, service standards and regulator requirements that existed when the 1996 program rules were launched by the Government. Each utility is responsible for the operation and maintenance costs

and capital costs to meet growth, asset replacement and changes in standards or requirements post 1996.

The benefits and outcomes of this service are that water supply and sewerage services in urban areas of regional NSW are appropriate, affordable, cost-effective and well managed, meet community needs, protect public health and achieve sustainable environmental outcomes.

During 2006-07 the Government announced a boost of \$160 million towards this program. This increased the total commitment to about \$1.1 billion and enables the program to be extended to 2014-15. This funding boost will enable an additional 54 projects to be funded providing direct benefit to local water utilities in their delivery of water supply and sewerage services to country families.

The program has now completed over 320 water supply and sewerage projects which have delivered enhanced public health, environment and security of supply outcomes to over one million residents living in country NSW.

Table 2.1 CTWSS - Infrastructure

CTWSS - Infrastructure	2003-04	2004-05	2005-06	2006-07
No. of people benefiting from improved water supply systems	76,000	50,000	41,500	30,000
No. of people benefiting from improved sewerage systems	37,000	50,000	28,000	80,000
No. of grants assessed and approved	75	55	27	53
Section 60 approvals (<i>Local Government Act 1993</i>)	35	40	35	13
No. of projects on the waiting list	240	210	179	166
No. of new construction projects	30	30	13	20
No. of Projects completed	30	25	18	23

KEY PERFORMANCE INDICATOR

No. of people in non-metropolitan NSW benefiting from:

- improved water supply systems – 30,000
- improved sewerage systems – 80,000

NSW Infrastructure Task Force

DWE is a member of the NSW Infrastructure Task Force chaired by the Department of Local Government. The objective of the Task Force is to develop a nationally consistent approach to infrastructure management, financial reporting and sustainability for councils in NSW. Council achievements in water supply and sewerage performance reporting, asset management and strategic business planning and financial planning are being examined with a view to extending this successful model for other council infrastructure activities.

Infrastructure technical assessment - Section 60 Approvals

Under Section 60 of the *Local Government Act 1993*, Local Water Utilities (LWUs) are required to obtain the approval of the Minister for Water Utilities for construction or extension of dams, water treatment works, sewage treatment works or effluent and biosolids reuse.

The Section 60 approvals are a high value activity which provide an independent assessment of proposed dams,

treatment works and reuse projects to ensure they are fit for purpose, provide a robust, safe, soundly based solution, and meet public health and environmental requirements.

Innovation is encouraged and Section 60 approvals are granted for soundly based pilot projects involving novel solutions. However, proposed solutions need to meet the above objectives, in order to ensure the facilities can be operated successfully by the utility over the broad range of operating conditions likely to be encountered within the utility's planning horizon.

Each activity requiring Section 60 approval involves specialist facilities for which an options report, conceptual design report and detailed design are required. These need to be prepared by suitably qualified and experienced practitioners.

The review undertaken by DWE provides an independent and objective assessment of the proposed works to identify areas of concern that may impact adversely on public health, environmental outcomes and cost to the community. DWE is able to provide assistance to utilities by applying the extensive experience and expertise developed through its review and oversight of all such facilities throughout NSW.

A total of 13 Section 60 approvals were issued or being assessed for issue to LWUs in 2006-07 as shown in Table 2.2.

Table 2.2 Infrastructure technical assessment

Section 60 Approvals	2004-05	2005-06	2006-07
Water Treatment Works	5	5	1
Sewage Treatment Works	20	20	10
Effluent and Biosolid Reuse	10	8	1
Dam	5	2	1

Dam safety

LWUs are responsible for ensuring the safety of their water supply dams in non-metropolitan NSW. DWE assists LWUs achieve this through the dam safety program by facilitating cost-effective, safe and appropriate surveillance and management of LWU dams and assists LWUs in arranging for the upgrading of any deficient dams, thus proactively avoiding dam failures and protecting the public, the environment and the infrastructure.

DWE undertakes the following:

- Expert inspections of LWU dams to a frequency determined by the Australian National Committee on Large Dams (ANCOLD) Guidelines and as endorsed by the NSW Dams Safety Committee (DSC) and by an independent review of the Department's dam safety procedures to facilitate achievement of best-practice in surveillance, operation and maintenance of dams. A written inspection report setting out any corrective actions required is provided to the LWU after each inspection;
- Manage and monitor timely implementation of the program of requisite upgrading of deficient dams;
- Provide expert technical advice and approval to LWUs on dam safety issues including review of dam monitoring data;
- Manage and facilitate technology transfer and best-practice through inspection reporting and conducting dam safety surveillance courses for LWU engineers and operators;
- Manage the development of policy and guidelines applicable to LWU dams for inclusion in Australian Dam Safety Procedures Guidelines as well as providing input to the NSW Dam Safety Committee; and
- Provide specialist advice on the development and regular exercising of Dam Safety Emergency Plans and during dam safety emergencies.

While DWE previously prepared 5-yearly dam surveillance reports of LWUs, it has now arranged preparation of such reports by suitably qualified consultants. The reports are necessary for ensuring sound asset management of the prescribed dams and must be prepared in accordance with the requirements of the Dam Safety Committee. The Department reviews these reports before their issue to LWUs.

The Portfolio Risk Assessment (PRA) on 21 deficient dams in NSW identified an appropriate cost-effective program for upgrading these dams to the standards required by the Dam Safety Committee. A program of remedial works for 10 priority dams is being implemented with LWUs over the next 4 years. Work is also underway for 3 of the next 5 priority dams.

As a result of the Department's expert inspections of LWU dams and dam safety surveillance courses, a marked improvement has been noted in the standards of surveillance, operation and maintenance of LWU dams over the past three years. This was recognised by

the Dam Safety Committee in its 2005-06 annual report.

The dam safety activity conducted by the Department is shown in Table 2.3.

Table 2.3 Dam safety

Dam safety activity	2004-05	2005-06	2006-07
Dam Safety Expert Inspections	45	40	40
Dam Surveillance Reports	8	11	8*
Dam Safety Surveillance Workshops	2	2	3

* Reviewed only.

A key objective of the Dam Safety sub-program is that life is protected in the event of an unpredictable incident by implementation of Dam Safety Emergency Plans (DSEPs). Such plans are required for all high and significant hazard dams prescribed under the *Dams Safety Act, 1978*. There are currently 34 DSEPs in place and another 15 are being finalised. These DSEPs will cover all the high hazard LWU dams. A further 24 DSEPs will be completed over the next 5 years thereby covering all high as well as significant hazard LWU dams in NSW. A manual is currently being developed to allow LWUs to regularly exercise their DSEPs on the basis of scenarios provided by DWE.

Water and sewage treatment

DWE facilitates best-practice in the operation and maintenance of water and sewage treatment works by undertaking regular expert inspections of the 520 LWU water and sewage treatment works (280 sewage treatment works, 120 water treatment works and 120 chlorinators/aerators). It also conducts seminars and accredited courses for operators on water treatment and sewage treatment.

In 2005-06 non-metropolitan NSW utilities complied with all water quality targets (microbiological - E.coli, physical and chemical), water quality complaints, water treatment process failures and chlorination system failures. The effect of the drought continues to be felt, with 70% of utilities receiving below average rainfall. Nevertheless, microbiological water compliance for E.coli (health related) was 99%, physical compliance 95% and chemical compliance (health related) was 96%. These results maintained the standard achieved in the previous year.

The Department provided technical assistance to NSW Health to enable councils to comply with requirements under the *Fluoridation of Public Water Supplies Act 1957* and in certification of fluoridation officers. Pre commissioning inspections were carried out for 10 fluoridation plants.

Non-metropolitan NSW utilities generally complied with the 90-percentile limits of the Department of Environment and Climate Change (DECC) licence (BOD – 96%, Suspended Solids – 93%). Sewage odour complaints, sewage treatment process failures and sewage treatment works failures were generally less than the previous 5 year average.

The inspection service conducted by the Department is shown in Table 2.4.

Table 2.4 Water and sewage treatment works inspections

Inspections services	2004-05	2005-06	2006-07
Water Treatment Inspections	140	119	110
Sewage Treatment Inspections	430	311	330
Water Treatment Seminars and Courses	6	5	4
Sewage Treatment Seminars and Courses	4	8	6

Local Water Utility Performance and Management

Best Practice Management – overview

Guidelines

The *Best-Practice Management of Water Supply and Sewerage Guidelines 2004* is the key driver for the reform of planning and management and for continuing performance improvement by the 107 NSW Local Water Utilities (LWUs). The purpose of best-practice management is to encourage the effective and efficient delivery of water supply and sewerage services and to promote sustainable water conservation practices throughout NSW. The key focus areas of the guidelines are:

- strategic business planning and long-term financial planning;
- water supply and sewerage pricing and developer charges (including liquid trade waste policy, approvals and pricing);
- water conservation;
- drought management;
- annual performance monitoring; and
- integrated water cycle management (IWCM).

Performance

Following release of the guidelines, all LWUs have made progress towards best-practice management in 2005-06 (as reported in the *Performance Monitoring Report* released in 2007). Thirty one percent of the utilities fully complied with the Guidelines for water supply and 22% of the utilities also fully complied with the guidelines for sewerage. More detailed analysis shows:

- 82% of utilities now have a sound 30-year strategic business plan and financial plan in compliance with the Best-Practice Management Guidelines;
- All the NSW local water utilities have now abolished their water allowance for potable water supply, thus meeting a key requirement of the *National Water Initiative*;
- 72% of LWUs have both pay-for-use water supply pricing and full cost recovery for water supply while 70% have both appropriate pricing and full cost recovery for sewerage;
- 73% of LWUs have an appropriate water supply Development Servicing Plan (DSP) with commercial

developer charges and 67% of LWUs have a sewerage DSP;

- 47% of LWUs have complying liquid trade waste fees and charges;
- 50% of LWUs have completed an appropriate liquid trade waste policy and have issued a liquid trade waste approval to all their trade waste dischargers;
- 57% of LWUs have implemented a sound water conservation plan;
- 64% of LWUs have implemented sound drought management; and
- 27% of LWUs have at least commenced preparation of an integrated water cycle management (IWCM) strategy although compliance for IWCM is not required until June 2008.

A local government LWU that has demonstrated its compliance with the guidelines can now pay an annual dividend from the surplus of its water supply and sewerage businesses to the Council's general revenue. Compliance with the guidelines is also pre-requisite for eligibility for financial assistance towards the capital cost of backlog infrastructure under the Country Towns Water Supply and Sewerage (CTWS&S) program. This program is managed by the Department to assist LWUs in providing water supply and sewerage services.

KEY PERFORMANCE INDICATORS

Population in non-metropolitan NSW with a reticulated sewerage service – 1,680,000 (94.6% coverage)

Proportion of requirements of Best-Practice Management Guidelines met by LWUs – 65%

Proportion of LWUs complying with Best-Practice Management Guidelines – 31% fully complying for water supply; and 22% fully complying for both water supply and sewerage (based on 2005-06 figures published in 2007).

Strategic Business and Financial Planning

In order to deliver effective and efficient water supply and sewerage services in non-metropolitan NSW, it is important that Local Water Utilities (LWUs) prepare and implement sound Strategic Business Plans.

The Plans detail the levels of customer service to be provided and the management of assets and resources

required to achieve those levels of service. As a part of the planning process, it is important that robust financial planning and asset management planning be undertaken and included in the Plan. The financial plan must disclose the level of typical residential bills required for meeting the target levels of service. The Department will continue to assist LWUs to prepare and implement appropriate asset management plans (operation plan, maintenance plan, capital works plan) to efficiently deliver their water supply and sewerage services.

Eighty two percent of LWUs have completed a sound strategic business plan and long-term financial plan compared to only 44% three years ago. Such plans demonstrate the financial sustainability of the utilities and include an asset management plan which addresses future infrastructure needs. The LWU thus has control of the future development of its water supply and sewerage businesses, and providing it continues to levy Typical Residential Bills (TRBs) in accordance with its financial plan, the LWU will be able to fund all its future commitments for capital and recurrent expenditure and dividend and tax-equivalent payments.

Best-practice pricing

Best-practice pricing of water supply, sewerage and liquid trade waste services is a key responsibility of each Local Water Utility (LWU). Such pricing provides appropriate signals to enable each customer to balance the benefits and costs of their use of water services and ensures efficient use of water resources. It is required for effective management of water supply and sewerage businesses and minimisation of customer bills. The introduction of best-practice pricing is a key aspect of the *National Water Initiative*, the Council of Australian Governments' Strategic Framework for Water Reform and National Competition Policy.

A review of the Best-Practice Management Guidelines in conjunction with the Local Government Association and Shires Association and the NSW Local Government Water Directorate has been completed. This review involved 'fine-tuning' of the Guidelines and the inclusion of provisions to ensure NSW compliance with the requirements of *National Water Initiative*.

The revised Guidelines have been approved by the Minister for Water Utilities and gazetted. The Guidelines expect substantial compliance by all the NSW utilities by June 2009. The urban water industry in country NSW would thus meet all the requirements of the *National Water Initiative*.

In the revised guidelines, the higher capital costs per property required for smaller Local Water Utilities is reflected by a reduction in the required minimum residential revenue raised from water usage charges to 50%. Further, the threshold at which the second step usage charge per kilolitre applies has been increased to 600 kilolitres per annum for Local Water Utilities in inland areas of NSW.

The Department has had an intensive focus on best-practice water supply pricing and has continued to assist LWUs to introduce such pricing. Of particular importance has been the abolition of annual water allowances, which lack an incentive for customers to conserve water. Further, such allowances lead to significantly higher fixed charges which disadvantage low water users. All Local Water Utilities have now abolished their water allowance for potable water supply in compliance with the Australian Government's *National Competition Policy* and the *National Water Initiative*.

Ninety five percent of the utilities are now achieving full-cost recovery for their water supply and sewerage businesses and the remainder of the utilities have committed to achieving full cost recovery by June 2009, as required by the revised *Best- Practice Management Guidelines*. The Department is working with these utilities to ensure they achieve such cost recovery.

Developer charges

The Minister released the *Developer Charges Guidelines for Water Supply, Sewerage and Stormwater* in 2003. The guidelines define the elements of best-practice developer charges and provide guidance on the development, analysis and implementation of appropriate developer charges to ensure that new development meets a fair share of the cost of service provision. The guidelines were issued to all LWUs that have been preparing Development Servicing Plans (DSPs) on this basis.

The Independent Pricing and Regulatory Tribunal (IPART) was requested to review the Guidelines by the Minister for Water Utilities and the Tribunal provided its report to the Minister in September 2007.

Developer charges are now providing cost recovery towards a significant part of the cost of the infrastructure for serving new development. This is illustrated by the increase in the median water supply and sewerage developer charges to \$7,600 per equivalent tenement (ET), compared to \$4,600 4 years ago.

Altogether, 73% and 67% of LWUs had commercial developer charges for water supply and sewerage respectively and have effectively complied with the guidelines. These figures include the 8% of LWUs which made use of the exemption provision of the guidelines due to their low growth rate of under 5 lots per annum.

Table 2.5 Compliance with Best-Practice Pricing

Compliance with Best-Practice Pricing	2003-04	2004-05	2005-06*
LWUs with pay-for-use water supply pricing (%)	81	92	98
LWUs with trade waste fees and charges (%)	46	61	66
LWUs with commercial water supply developer charges (%)	50	64	73
LWUs with best-practice sewerage pricing (%)	21	40	46

* Collection of statistics is done in arrears by one year. 2005-06 is the most recent year for which information is available

National Steering Group on Water Charges

DWE is a member of the National Steering Group on Water Charges formed to facilitate best-practice water pricing under the *National Water Initiative*. The initial task completed by the Group was to compile an urban water charging stocktake on current practices in water charging by the Australian water utilities. The stocktake was completed in February 2007 and is available on the National Water Commission website. The Group is also developing draft pricing principles in order to encourage greater consistency in the pricing of water services.

Trade waste

There are 101 Local Water Utilities (LWUs) in NSW responsible for regulating liquid trade waste discharges to their sewerage systems. This includes approving and monitoring of discharges and the levying of appropriate sewerage and liquid trade waste fees and charges. The approval process includes obtaining concurrence from the Director-General under section 90(1) of the *Local Government Act 1993*.

To assist the sewerage utilities, DWE has prepared comprehensive Liquid Trade Waste Management Guidelines 2005. The guidelines are available on the

DWE website (www.dwe.nsw.gov.au).

The guidelines employ an innovative approach which integrates the assessment, approval, monitoring, charging and enforcement of liquid trade waste from business and industry to provide a powerful toolkit for sewerage utilities. The guidelines were developed in conjunction with the NSW Local Government Water Industry Directorate, the Local Government Association of NSW and the Shires Association of NSW.

Each sewerage utility now has the tools to soundly manage its liquid trade waste discharges by adapting and implementing the model trade waste policy provided in the guidelines. Guidance is provided on:

- assessment of a wide range of trade waste dischargers;
- approval of dischargers and nomination of appropriate approval conditions;
- monitoring and coaching of dischargers on cleaner production, good housekeeping and compliance with approval conditions;
- commercial charging for non-residential sewerage and trade waste services to encourage waste minimisation, including additional charges for any failure to comply with the approval, and
- enforcement and penalty notices for failures to comply with approval.

By applying the integrated approach in the guidelines, each sewerage utility is now able to:

- improve its environmental outcomes due to better compliance with the LWU's sewage treatment works licences;
- improved sewerage system performance, including reduced frequency of sewer chokes and odour complaints;
- provide financial incentives to business and industry for cleaner production and waste minimisation;
- provide cost-effective trade waste services and achieve full cost recovery for non-residential sewerage and trade waste services and removal of existing cross-subsidies, and
- reduce residential sewerage bills by 'freeing-up' sewerage system capacity which enables the LWU to serve new development without needing to augment its existing sewerage infrastructure.

Trade Waste Regulation Courses

Trade Waste Regulation Courses were again run to assist LWU officers in managing liquid trade waste issues. While the course contents were updated and expanded the previous two level structure was retained:

- First 2 days of 5-day course to provide an overview suitable for officers with limited involvement in liquid trade waste. This training is also suitable for officers from small utilities with no large liquid trade waste dischargers and few dischargers of industrial waste.
- Complete 5-day course provides overall training for utility officers responsible for liquid trade waste management.

Candidates attending the full course and passing the course examination receive a nationally recognised TAFE Certificate in liquid trade waste regulation.

Liquid Trade Waste Policy

In order to achieve compliance with the Best-Practice Management of Water Supply and Sewerage Guidelines, Local Water Utilities require an appropriate Liquid Trade Waste Policy. To assist LWUs draft such a document, DWE has provided a Model Policy for the Discharge of Liquid Trade Waste to the Sewerage System as an Appendix to the above Liquid Trade Waste Management Guidelines. DWE reviews LWU policies provided to it for comment.

There has been an excellent response from LWUs to the Liquid Trade Waste Guidelines with many preparing a trade waste policy and implementing new trade waste fees and charges. In addition, there has been a 100% increase in the number of trade waste applications received from LWUs for review and concurrence by the Department.

Table 2.6 Liquid Trade Waste

Liquid Trade Waste	2004-05	2005-06	2006-07
No. of LWU trade waste approvals processed by the Department	37	58	121
LWU liquid trade waste policies reviewed	18	37	17
Trade Waste Regulation Courses	5	2	2
% of LWUs with a current trade waste policy and an approval issued to each trade waste discharger	25	42	50
% of LWUs with liquid trade waste fees and charges	46	61	66

Water conservation and drought management

NSW is currently in the sixth year of continuous drought. During periods of drought the Government provides technical and financial assistance to local water utilities to maintain essential water supplies. In pursuit of the key result that urban water supplies are reliable and secure, the Department's prime objective is to ensure that no towns run out of water.

In 2005-06 a total of 41 Drought Management Plans had been completed by local water utilities. In 2006-07 a further 7 were completed, bringing the total to 48.

In 2005-06 11 projects were undertaken to enhance the drought security of town water supplies. In 2006-07 a further 24 projects received financial assistance from the State Government.

For the year 2006-07 the Department approved more than \$27M for emergency drought works including \$415,150 for water cartage.

The drought situation in the second part of 2006/07 worsened dramatically, with storages and river flows at or below record levels. At the peak of the drought in May 2007, water was being carted to 8 communities, 51 communities were in danger of water supplies failing in 3 months and a further 128 were at risk of failures in 12 months. The total population served by these water supplies in regional NSW was 1.34 million.

The major projects for which funding was approved include ground water investigations at Deniliquin (\$400,000), emergency bore construction at Yass

(\$645,000), Tamworth drought emergency investigations and refurbishment of town wells (\$1.525M), Lake Cargelligo emergency works (\$400,000) and approval of \$450,000 for emergency standpipes.

During 2006-07, Lake Cargelligo water supply was the only water supply to fail, for a total of 40 hours. The failure was due to blockage of the water treatment plant intake by algae. The Department worked closely with Lachlan Shire Council and emergency services, to implement water cartage and restore supply.

Welcome rain in May and June 2006 eased the drought situation on the Central Coast and in the Goulburn area. Town water supplies west of the Great Dividing Range benefited less from the rains, with the Macquarie Valley, Lachlan Valley, Lower Barwon Darling and the Murray Valleys still experiencing serious drought conditions. Looking ahead, without significant rain in the Spring of 2007, regional NSW will enter the summer season worse off, from a town water supply situation, than at the same time last year.

Table 2.7 Town Water Drought Management

Town Water Drought Management	2004-05	2005-06	2006-07
Number of long term drought management plans completed (cumulative)	40	41	48
Number of projects approved to enhance drought security of town water supply	20	11	24

Annual performance monitoring

Comparative performance of LWUs

The Department collects and disseminates comparative performance data for all NSW Local Water Utilities (LWUs). This assists LWUs in self assessment, benchmarking and performance improvement through comparisons with utilities providing a similar service. It also assists in public accountability and helps NSW meet its obligations under the National Water Initiative.

The key elements of the NSW performance reporting system are the annual NSW Performance Monitoring Report and the two page Triple Bottom Line (TBL) Performance Report. The Monitoring Report presents performance data for all NSW LWUs and is available to all interested parties (management, customers, regulators and other utilities), while the TBL report is a summary management report prepared for each LWU, showing the LWU's performance together with their ranking against other LWUs for a number of key indicators.

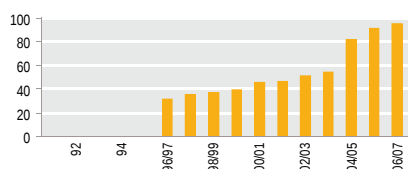
LWUs are facing significant challenges posed by climate change, environmental water allocations, skills shortages and drought. The performance monitoring and reporting system combined with the Best Practice Management Guidelines is helping LWUs to respond to these challenges.

The key performance indicators have been aligned with national and international reporting to facilitate wider comparisons. The performance reporting system has also been progressively enhanced to provide a balanced view of the long-term sustainability of NSW water utilities with a triple bottom line (TBL) accounting focus and the use of a web based database. A summary of the key performance indicators is shown below¹.

¹ Performance is disclosed on the basis of the 107 LWUs existing in June 2006.

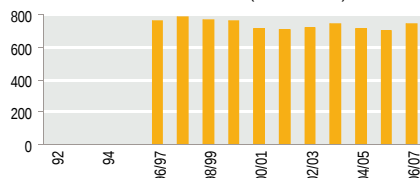
Social Indicators (Charges/Bills, Health, Levels of Service)

% LWUs WITH PAY-FOR-USE TARIFF



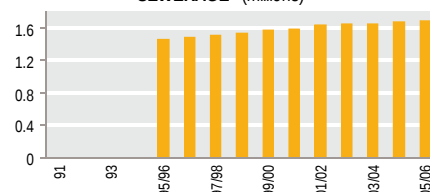
Pay-for-use water supply tariff – 98% had a two-part tariff (ie. an access charge and a usage charge) or an inclining block tariff in July 2006. These tariffs comply with the National Water Initiative. The median water usage charge was 105c/kL.

TYPICAL RESIDENTIAL BILL
WATER & SEWERAGE (\$/assessment)



Typical residential bill 745/assessment for water supply and sewerage in 2006/07. This has remained relatively constant in current dollars over the last 11 years.

POPULATION WITH RETICULATED
SEWERAGE (millions)



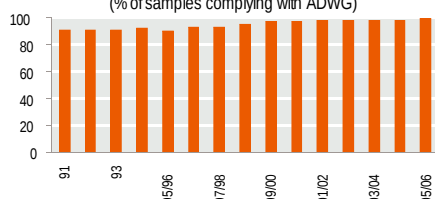
Population with sewerage service – 94.6% of the non-metropolitan urban population (ie. 1,680,000 people) received a reticulated sewerage service in 2005/06. Since implementation of the new Country Towns Water Supply and Sewerage Program in 1996, the population receiving a reticulated sewerage service has increased by 226,000 people ie. from 92.3% to 94.6%.

Tariffs –72% of utilities had both pay-for-use pricing and full cost recovery for water supply and 63% had sound pricing, with full cost recovery for sewerage, as required under *National Competition Policy*. All NSW utilities have now abolished their annual water allowance for potable water supply. This is a significant achievement which enables NSW to comply with the requirements of the National Water Initiative. The median water usage charge is now 105c/kL, while the Typical Residential

Bill for water supply and sewerage has remained relatively constant at \$745 (Jan 2007\$) over the last decade.

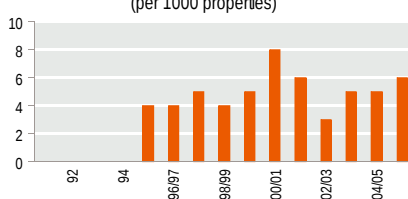
Business Plans – 82% of utilities have completed a sound Strategic Business Plan and long-term financial plan, compared to only 44% 3 years ago. These LWUs comply with the National Water initiative.

MICROBIOLOGICAL COMPLIANCE (E. coli)
(% of samples complying with ADWG)



Drinking Water Quality - Microbiological water quality compliance for E.coli (health related) was 99%. Physical compliance was 95% and chemical compliance was 96%. Over the last 5 years microbiological compliance has increased from 97% to 99%, and physical and chemical compliance have ranged from 95% to 97%.

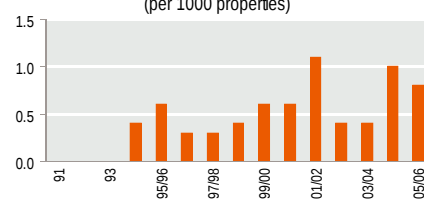
WATER QUALITY COMPLAINTS
(per 1000 properties)



Water quality complaints - 6 per 1000 properties – similar to other Australian utilities and water service complaints – 6 per 1000 properties.

Water quality complaints and service complaints have remained relatively constant over the last 11 years. Water quality has improved significantly over this period due to the commissioning of new water treatment facilities.

SEWAGE ODOUR COMPLAINTS
(per 1000 properties)

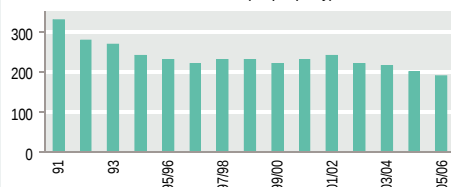


Sewage odour complaints – 0.8 per 1000 properties which was lower than other Australian utilities and sewerage service complaints – 14 per 1000 properties.

Odour complaints have risen slightly over the last 11 years while service complaints have fallen. DWE is working with LWUs experiencing high odour complaints to develop appropriate control measures.

Environmental Indicators

AVERAGE ANNUAL RESIDENTIAL CONSUMPTION (kL/property)

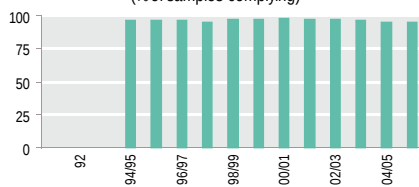


Average annual residential consumption

– 190kL/property which was lower than all the other Australian states.

Average annual residential potable water consumption has fallen by almost 40% from 330kL/property to 190kL/property over the last 15 years influenced by the introduction of pay-for-use water pricing, implementation of water demand management by LWUs, as well as the current water restrictions.

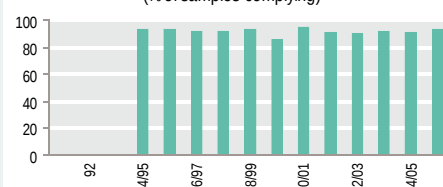
COMPLIANCE WITH BOD IN LICENCE (% of samples complying)



Sewage effluent quality – 96% of the sampling days complied with the licence for Biochemical Oxygen Demand (BOD).

Compliance over the last 11 years has ranged from 93% to 97%. Over this period, licence limits for both BOD and SS have become more stringent for many LWUs.

COMPLIANCE WITH SS IN LICENCE (% of samples complying)

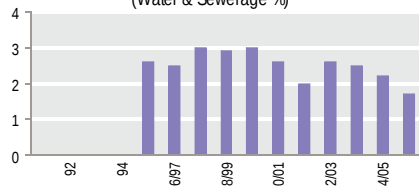


Sewage effluent quality – 93% of the sampling days complied with the licence for Suspended Solids (SS).

Compliance over the last 11 years has ranged from 90% to 94%. The major cause of non-compliance is the growth of algae in maturation ponds being measured as SS.

Economic Indicators (Financial, Efficiency)

ECONOMIC REAL RATE OF RETURN (Water & Sewerage %)

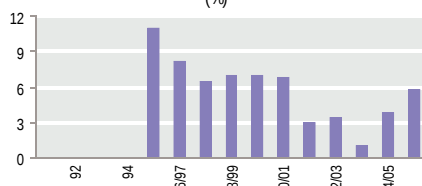


Economic real rate of return – 1.7% for water supply and sewerage.

77% of LWUs had a positive real rate of return.

The real rate of return has remained relatively constant over the last 11 years.

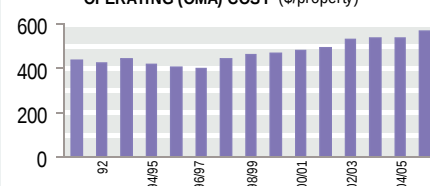
DEBT TO EQUITY - WATER & SEWERAGE (%)



Net Debt to equity – 6% for water supply and sewerage, falling from 11% over the last 11 years.

LWUs facing significant capital investment are encouraged to make greater use of borrowings to reduce their required Typical Residential Bill (TRB).

WATER SUPPLY & SEWERAGE OPERATING (OMA) COST (\$/property)



Operating cost (OMA – operation, maintenance and administration) - \$570/property for water supply and sewerage. The OMA cost per property has increased from \$370 to \$570 (Jan 2006\$) over the last 15 years, largely due to more stringent standards for sewage treatment and to increasing management cost.

The Minister for Water Utilities has released the *2005/06 NSW Water Supply and Sewerage Performance Monitoring Report* to all NSW water utilities. The report presents the key performance indicators for all NSW water utilities, together with the Statewide performance of the NSW non-metropolitan water utilities and interstate comparisons. The report has been provided to relevant government agencies and the Independent Pricing and Regulatory Tribunal (IPART).

In addition, the comprehensive *2005/06 NSW Water Supply and Sewerage Benchmarking Report* has been completed. This report discloses the full suite of performance indicators and benchmarking data for all NSW water utilities, including Sydney and Hunter Water Corporations to enable each LWU to benchmark its performance against that of similar LWUs. Both of these reports are published on the Department's web site (www.dwe.nsw.gov.au).

National Performance Framework

The Department is a member of the Roundtable Group which has developed a National Performance Framework for annually reporting the performance of urban water utilities with over 10,000 connected properties under the National Water Initiative.

The Purpose of the National Performance Framework is to:

- identify baseline performance and encourage performance improvements
- make comparisons between businesses and jurisdictions
- inform customers
- inform government, regulatory agencies and water businesses, and
- encourage greater transparency

The national performance reports disclose trends in each water utility's performance as well as the relative performance of utilities.

Independent auditing is required to ensure the national reporting framework is underpinned by accurate and verifiable information and there is a transparent and consistent approach to the process of reporting data across water utilities.

In NSW, the Department has been carrying out comprehensive annual reporting of water utility performance since 1986 as a means of continuous improvement and as a management tool for each water utility. The National Performance Framework of 76 performance indicators involves only a small number of additional performance indicators to those in the NSW system.

Integrated Water Cycle Management

Integrated Water Cycle Management (IWCM) is the integration of water supply, sewerage and stormwater services on a local catchment basis. This requires that water services be managed sustainably and with due consideration of natural processes, other water users (including the environment) and the broader catchment issues. It also requires that water use be efficient and that waste be reduced to a minimum.

This initiative provides a framework for the 107 NSW local water utilities to combine and utilise Government policies with a focus on the Council of Australian Governments (COAG) reform requirements, including the National Water Initiative.

The framework engenders a whole of government approach by creating a partnership between local government and relevant State agencies in the development of sustainable water use strategies.

The Department has been providing assistance to local water utilities undertaking an IWCM Strategy by attending meetings, reviewing draft reports, providing financial assistance and developing guidance material, available on the Department's website. The following has been achieved in the program this year:

- An increase in the number of councils committed to undertaking IWCM.
- An increase in the number of councils undertaking the Concept Study (Part 1) and the Strategy Plan (Part 2).
- Upgrading of the Department's web site (IWCM page) with the addition of manuals for 3 IWCM computer models (Rainwater Tank Performance, Water Use Climate Correction and Demand Management Option Assessment – DSS).
- Three IWCM computer models and manuals have been electronically sent to all councils.
- The IWCM process has been revised to make it more flexible in line with stakeholder needs and Government objectives.
- The requirements for the IWCM process have been revised as part of the review of the Best Practice Management of Water Supply and Sewerage Guidelines (August 2007).
- Continued staff training and development to improve the effectiveness of IWCM advice to councils, consultants and the community.
- Developed additional guidance IWCM Notes on seven aspects of the IWCM process for councils and IWCM committee members.
- Continued meetings with councils and consultants on specific IWCM development matters.
- Prepared draft guidance information to assist councils with the engagement of consultants undertaking IWCM studies.

Table 2.8 Integrated Water Cycle Management

Local Water Utilities and Integrated Water Cycle Management (IWCM)	2004-05	2005-06	2006-07
Committed to undertaking an IWCM	27	54	69
Undertaking an IWCM	24	47	59
Completed IWCM Evaluation	10	14	19
Completed IWCM Strategy	4	5	5

Energy supply and use

Overview

Planned result Energy supplies are reliable and sustainable, services are safe and efficient and vulnerable customers are protected

Planned outcomes

- NSW participating in an efficient national energy market
- Network operators comply with improved regulatory framework
- Renewable energy and efficiency incentive programs developed and implemented
- Vulnerable customers protected

Major outcomes achieved

- Made significant progress in shaping substantial changes to the national energy legislative framework in order to transfer responsibility for economic regulation of the gas transmission sector and gas and electricity distribution networks from state-based regulators to the AEMC and AER.
- Played a key role in advising on the NSW Government's response to the recommendations of a high level COAG commissioned review on potential further reforms to national energy market arrangements.
- Supported the Owen Inquiry providing expert advice, information and analysis.
- Under the auspices of the Ministerial Council on Energy (MCE), continued to develop a consistent framework and vehicle for energy and greenhouse reporting under various state and national programs.
- Achieved significant policy improvements in legislative and regulatory frameworks for the technical regulation of electricity, gas and pipeline infrastructure.
- Regulatory services contributed to significant progress by electricity distributors towards delivering 99.98% reliability by 2016.
- Contributed to a National Taskforce Discussion Paper on a possible design for a National Emissions Trading Scheme (NETS).
- Developed the *Renewable Energy (New South Wales) Bill 2007* which was introduced into the Parliament in June 2007 to implement a NSW Renewable Energy Target (NRET) that would increase the consumption of renewable energy in NSW to 10% by 2010 and to 15% by 2020.
- Unprecedented growth was achieved in customer participation and sales of GreenPower in NSW. On the previous year, customer participation tripled to 168,000 and sales increased by 37 per cent to 351,000 MWh.
- GreenPower was the winner of the Banksia Environmental Award in 2006 for the Climate Category.

- In 2006, the fourth year of operation of the Greenhouse Gas Reduction Scheme (GGAS), some 10 million abatement certificates were created across a range of eligible abatement activities, bringing to 47 million the number of certificates created over the life of the scheme to 30 June 2007. To date there has been full compliance with GGAS benchmarks. In November 2006, the *Electricity Supply Act 1995* was amended to extend GGAS to 2020 and beyond.
- Product registrations for Minimum Energy Performance Standards (MEPS) and energy efficiency labelling increased to 450, leading to potential savings in power of 1,119 GWh and 993,000 tonnes of carbon emissions.
- Protected customers by successfully managing the first retailer of last resort (ROLR) event in the National Electricity Market following the suspension of an electricity retailer.
- Developed policy and regulatory changes to strengthen disconnection procedures to better protect residential customers in NSW.
- About \$83 million was efficiently distributed under the Pensioner Energy Rebates, Life Support Rebate and Energy Accounts Payment Assistance Schemes.

Key Performance Indicators

Proportion of national energy reform commitments achieved.	Significant progress was made working within the national framework.
Proportion of DWE's State Plan milestones for reliability targets achieved.	The majority of milestones have been achieved and the annual measure of NSW electricity reliability is on track to achieve the designated State Plan target.
Proportion of DWE's State Plan milestones for renewable energy targets achieved.	Not applicable at this stage as there were no milestones during the period of this report.
Proportion of energy customer support payments processed within agreed standards.	Further development of the method of calculating this indicator will be undertaken as part of improving customer service standards.

Energy supply and use

Performance report

National and NSW Energy Policy

Ministerial Council on Energy

The Department supports the Minister for Energy in his role as the NSW Government's representative on the Ministerial Council on Energy (MCE). In recent years the MCE has overseen a substantial overhaul of the governance and institutional arrangements for the national energy market, including the establishment of the Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER).

During 2006-07, the Department supported the development of further reforms associated with expanding the responsibilities of these new bodies. In particular, significant progress was achieved in shaping substantial changes to the national energy legislative framework in order to transfer responsibility for economic regulation of the gas transmission sector and gas and electricity distribution networks from state-based regulators to the AEMC and AER. The remaining areas of regulatory responsibility - distribution (non-economic) regulation and retail (non-price) regulation - will transfer to the AEMC and AER in a second, later phase.

DWE also led or contributed to the development of national reform in metering, demand management and energy efficiency.

During the reporting period, the Department played a key role in advising on the NSW Government's response to the recommendations of a high level Council of Australian Governments (COAG) commissioned review on potential further reforms to national energy market arrangements. The outcomes of this work are reflected in COAG's decision of 13 April 2007.

Under the auspices of the MCE, the National Electricity Market Management Company (NEMMCO) completed its first detailed assessment of the impacts of the ongoing drought on electricity supplies. The Department was instrumental in facilitating input from relevant NSW authorities to that study which Ministers released to the market on 25 May 2007.

A summary of the significant achievements of the reform program under the MCE over the last three years includes:

- Passage of the new National Electricity Law in April 2005 and passage of amendments to this Law to implement a national regime for electricity distribution in November 2007, as well as passage of Consumer Advocacy provisions in November 2007;
- Commencement of implementation of the COAG decisions as a result of the Energy Reform Implementation Group (ERIG) report;
- Commencement of the AEMC's sequential reviews of the effectiveness of competition in retail electricity and gas markets within Australia and a preliminary finding of effective competition in electricity and gas retail markets in Victoria;
- Recommendations of the Gas Market Leaders Group (GMLG) report 'Gas Market Development Plan' accepted by MCE. A Bulletin Board and design of a short term trading market for gas are currently in development;
- Commencement of the Australian Energy Regulator (AER) and Australian Energy Market Commission (AEMC) in July 2005;
- Agreement on the transfer of distribution and retail regulation (non price) to the AER and AEMC; and
- MCE agreement on the response to the Productivity Commission Review of the Gas Access Regime.

KEY PERFORMANCE INDICATOR

Proportion of national energy reform commitments achieved – Although this indicator could not be assessed in detail, DWE, working within the national framework as described above, made significant progress towards these reform objectives.

National Energy Market reporting

The Department monitors and reports to key stakeholders on the events and trends occurring in the National Electricity Market (NEM) on a regular basis. This reporting function allows the Department to identify issues related to the security and reliability of supply of electricity to NSW customers.

DWE participates in NEMMCO's regular forum monitoring the supply situations to provide the NSW Government with advance notice of any impending issues with the NSW supply situation and necessary actions available.

National reporting on greenhouse and energy

The Department's activities in this area were varied including:

- representation on the Technical and Policy Working Groups on Greenhouse and Energy Reporting (established by the MCE and the Environment Protection and Heritage Council) to develop a consistent framework and vehicle for reporting energy and greenhouse under various state and national programs;
- assisted in the merging of the Environmental Data Gathering and Reporting tool (EDGAR) into the Online System for Challenge plus Activity Reporting (OSCAR) through an inter jurisdictional EDGAR Working Group;
- assisted in development of a consistent reporting framework for government energy management policies across all jurisdictions through the National Framework for Energy Efficiency (NFEE) Government Working Group;
- assisted in undertaking modeling for the National Emissions Trading Scheme (NETS) through the NETS Modeling Working Group, and
- continued participation in the Australian Transport Energy Data Analysis Centre (ATEDAC), which provides a nationally consistent approach and an authoritative and independent Centre of Excellence for transport related data, including energy and emissions for NSW and Australia.

Owen Inquiry into electricity supply in NSW

On 9 May 2007 the Premier announced the establishment of the Owen Inquiry to advise the NSW Government on the potential need for a new baseload power station. The Department has supported the Owen Inquiry through participation on the Steering Committee and staff on the Secretariat. The Department also provided a range of background information, interpretive assistance of modeling and technical matters and advice on the full range of issues before the Inquiry.

Regulation of Energy Network Reliability

Energy networks performance policy

The primary objective for this service is to ensure the ongoing safe, reliable and secure delivery of energy to NSW consumers. DWE seeks to ensure that operators of energy transmission and distribution infrastructure have properly assessed the risks to and from their assets and have developed and implemented appropriate management plans for those risks.

DWE is responsible for the development and maintenance of legislative and regulatory frameworks for the technical regulation of electricity, gas and pipeline infrastructure including the technical performance reporting requirements.

The regulatory framework to deliver this objective is defined in:

- *Electricity Supply Act 1995* and the *Electricity Supply (Safety and Network Management) Regulation 2002*;
- *Gas Supply Act 1996* and the *Gas Supply (Safety Management) Regulation 2002*; and
- *Pipelines Act 1967* and the *Pipelines Regulation 2005*.

The regulatory framework utilises codes and standards to set the technical limits for the design, construction, operation and maintenance of energy infrastructure. DWE supports the development of nationally consistent codes, standards and guidelines for electricity, gas and pipeline infrastructure. These include:

- Australian Standard AS2885 – Pipelines – Gas and liquid petroleum;
- National Electrical Network Safety (NENS) Code 01; and
- Australian Standard AS4645 – Gas distribution network management.

Within this framework significant policy improvements were achieved during the year.

- Finalisation and proclamation, on 15 September 2006, of amendments to the *Pipelines Act 1967* and the *Pipelines Regulation 2005* to streamline and simplify approvals for the construction of pipelines;

- The finalisation of the extensive revision of AS2885 Part 1 - Design & Construction undertaken by representatives from the pipeline industry and state and territory governments over the past 5 years. As part of a COAG agreement on free and fair trade a national construction standard for gas transmission pipelines, AS2885, was adopted. This review commenced at first principles level and has established a new engineering risk-based approach to the design of high pressure oil and gas pipelines in Australia. This revision provides more explicit guidance on the obligation to undertake, and the process for, safety assessments of pipelines; and
- The Electricity Service and Installation Rules of NSW 2007 (the Rules) set out the technical requirements for electrical installations to be safely, reliably and efficiently connected to electricity distribution systems, and the associated obligations and procedures of customers, installing contractors and distributors. The latest version of the Rules issued in October 2006 brings the procedures of all existing Distribution Network Operators together for the first time. Previously each network operator had their own local rules of how some aspects of electrical installation connections were carried out. These differences have now been harmonised so that the same rules and conditions apply across the whole of NSW.

Energy policy is continually evolving in Australia. Looking forward, the NSW Technical Regulatory Framework will be impacted by the National Energy Market reform agenda.

Despite the move to a national regulatory framework for energy markets and economic regulation, the technical and safety regulation of gas and electricity distribution will remain with NSW. This will require a full review of how the technical and safety regulatory framework is delivered in a national context. In addition, continued development of nationally consistent technical regulation will be a focus of DWE.

Energy networks compliance

DWE ensures the energy infrastructure operators comply with the technical regulatory framework for safety and reliability of energy transmission and distribution assets in NSW. This is achieved through the:

- review of operator management plans and, when requested, plan audit reports;
- review of annual operator performance reports and associated independent audits and assessments;
- review of annual audits of safety and operating plans and associated independent audits;
- assessment of plans, performance reports and audits to identify areas of risk and the need for intervention by the Department;
- recommendation and implementation, once approved, of appropriate intervention strategies including telephone, letter, meeting, directions or amendments to codes, standards or statutory instruments; and
- follow-up of compliance issues either individually or industry wide.

During the year, only one electricity distributor submitted updated Network Management Plans and Customer Installation Safety Plans for review. Most distributors submitted Electricity Network Performance Reports when due.

Gas retailers' Customer Safety Awareness Plans were analysed and reported to the Independent Pricing and Regulatory Tribunal (IPART). The majority of the Safety and Operating Plans for pipelines and gas networks were updated and reviewed as part of the independent audit review process.

In order to improve industry compliance DWE will improve tracking systems for plans, reports and audits and develop a field visit program to cover identified risk areas.

DWE led the development of the reliability licence conditions with the distributors and other stakeholders. Table 3.1 sets out the performance indicators relevant to the electricity industry.

Table 3.1 sets out the performance indicators relevant to this industry and to which DWE's work makes a contribution.

Table 3.1 Energy Networks Compliance

Energy Networks Compliance	2004-05	2005-06	2006-07
Progress by electricity distributors towards delivering 99.98% reliability by 2016	99.9728	99.9728	99.9743
Unplanned electricity outages (normalised customer minutes)	120.55	143.13	135.1
Serious electrical accidents (industry and public 3 yr rolling average)	21.7	17.7	16.3
Compliance inspections / site visits (No.)	36	34	1

KEY PERFORMANCE INDICATOR

Proportion of DWE's State Plan milestones for reliability targets achieved – The majority of milestones have been achieved and the annual measure of NSW electricity reliability is on track to achieve the designated State Plan target.

Pipeline licensing

DWE seeks to facilitate the development of energy infrastructure, particularly cross country pipelines, so that NSW energy consumers have access to safe and reliable supplies of natural gas and liquid petroleum fuels. Pipelines for the conveyance of other materials can also be licensed under the *Pipelines Act 1967* (the Act) should the proponent wish to take advantage of land access arrangements available under the Act.

The licensing of pipelines under the Act is integrated with the State's environmental planning approvals process and provides proponents with access to lands for the conduct of surveys during the planning stage for a pipeline, easements over land through which the pipeline is ultimately constructed and an ongoing safety and operating regime monitored through compliance activities. Comprehensive advice is frequently sought from pipeline proponents during the various stages of the licensing process. Such advice can facilitate the often complex processes involved at these stages. DWE seeks to minimise the processing time for license applications to a maximum of four to five months.

At the commencement of 2006-07, there was a potential for seven proposed pipelines to reach the licensing stage during the year. In addition, three existing pipeline licensees were expected to submit licence variations. Outcomes of these project proposals are shown in Table 3.2.

Significant pipeline projects included:

- The Central Ranges Pipeline (CRP) between Dubbo and Tamworth, that had commenced construction in October 2005, was completed and commissioned in August 2006. At the opening of the pipeline by the Minister for Energy in Tamworth in August, the Chairman of CRP acknowledged the assistance of the Department in facilitating the various phases of the project. The Tamworth gas distribution network was also constructed and commissioned in this timeframe;
- The TRUenergy Tallawarra Power Station pipeline was licensed in June 2007 and construction is expected to commence and be completed during the second half of 2007. This pipeline will supply natural gas to the new power station currently under construction at Tallawarra, south of Port Kembla, and
- An authority to survey was granted for the proposed Queensland Hunter Gas Pipeline (QHGP) that is being designed to bring coal seam methane from the coal fields in south east Queensland to the lower Hunter Valley. The route will traverse potential coal seam methane reserves in Narrabri / Caroon / Upper Hunter Valley thereby providing the infrastructure to facilitate the development of those reserves.

The volume of work in pipeline licensing is anticipated to increase in 2007-08.

Table 3.2 Pipeline Licensing

Pipeline Licensing	2004-05	2005-06	2006-07
Pipeline licences granted (No.)	0	0	1
Licence or permit variations or renewals granted (No.)	2	4	4
Consent for the commencement of operations (No.)	1	0	1
New pipeline licence applications received (No.)	0	0	5
Authorities to survey granted (No.)	0	0	2

Conveyancing searches for pipeline easements

DWE administers a public pipeline conveyancing enquiry program to ensure information is provided to the purchasers of lands affected by pipeline licences in an efficient and effective way. The Department provides this enquiry service for a fee.

The program comprises two principal stages:

1. Maintenance of the *Central Register of Restrictions* (CRR) database provided by the Land and Property Information (LPI) branch of the Department of Lands;
2. Maintenance of in-house records to enable responses to enquiries made directly to the Department or as a consequence of referrals from LPI.

In the year ahead DWE expects to work closely with LPI to identify opportunities for further automation of CRR enquiry processes with electronic rather than paper based referrals to DWE for unmatched enquiries and of LPI and DWE manual records to electronic.

Performance data for this program is shown in Table 3.3.

Table 3.3 Conveyancing Searches for Pipeline Easements

Conveyancing Searches for Pipeline Easements	2004-05	2005-06	2006-07
Revenue (\$000)	230	252	237
Proportion (%) of enquiries processed by LPI	84.5	93.4	92.8

Corrosion Protection System Registration

Corrosion Protection Systems are installed to protect metal structures that are in contact with land or water from corrosion. These systems have the potential to cause corrosion to other underground structures in their vicinity. For this reason, the *Electricity Safety (Corrosion Protection) Regulation 2003* requires corrosion protection systems to be approved and to be operated in accordance with the conditions of approval.

DWE administers a public register of cathodic protection systems for their installation, use, maintenance and removal. At 30 June 2007, there were 1,067 corrosion protection systems installed and operating in NSW. The Department provides this registration service on a fee basis.

In 2006–07 DWE planned to reduce the percentage of systems overdue for renewal. Review and upgrade of the Program's database enabled the routine production of a monthly report of overdue system renewals. This report is now being forwarded to the Technical Committee of the Electrolysis Association to provide input to the system retesting programs. However, actions to identify abandoned systems and to reduce the percentage of overdue renewals had minimal impact largely due to the inability to initiate and follow-up intervention strategies with the responsible parties.

Table 3.4 Corrosion Protection System Registration

Corrosion Protection System Registration	2004-05	2005-06	2006-07
Proportion (%) systems overdue for renewal	n/a	20	20
Overdue breakdown (%) by years (>2/2/1/current year)	n/a	n/a	27/16/23/33

Energy and Utilities emergency management

In 2004, the Energy and Utility Services Functional Area (EUSFA), also known as the sector and the Energy and Utility Services Functional Area Coordinator (EUSFAC) were established under the *State Emergency and Rescue Management Act 1989* (the Act). Under the Act, the EUSFAC role represents DWE and the sector on the State Emergency Management Committee (SEMC). EUSFAC provides coordination of the sector for the State emergency operations controller when a significant or coordinated response to an emergency or event is required. Also under the Act, EUSFAC is responsible for coordinating the planning and preparation for emergencies within the sector.

At a national level, two Ministerial Council on Energy committees coordinate the planning preparation and response to energy shortages in gas and petroleum sectors. These MCE committees include the National Oil Supply Emergency Committee (NOSEC) and the National Gas Emergency Response Advisory Committee (NGERAC). DWE coordinates activities and represents NSW on these committees at the national level.

In May 2007, NGERAC held the first national gas emergency simulation exercise to test inter-jurisdictional management arrangements for major natural gas supply disruptions. The exercise was limited to NGERAC representatives and key industry personnel normally involved in the management of natural gas supply disruptions. The exercise was a round table desk top discussion designed to test NGERAC processes and inform NGERAC on the approaches adopted within each jurisdiction during an emergency. NGERAC did not test external communication arrangements at this time, however it is envisaged that future simulations will expand the scope of the exercises to include all levels of communication. The outcomes of the exercise identified areas where improvements in communications and processes can be achieved which will be included in NGERAC's ongoing work program.

In NSW, the June 2007 long weekend storm events had a major impact on the communities in the Hunter Valley, Central Coast and Sydney Metropolitan Area. The events resulted in the Declaration of a Natural Disaster for those affected areas and had significant impact on water and energy infrastructure in the region. The Department was involved in briefing of Ministers and staff. EUSFAC was involved in coordinating information

and resources. This included liaison with the water and energy sector organisations and other Functional Area Coordinators such as Transport, Maritime and the emergency service organisations. EUSFAC coordinated assistance for the electricity and petroleum industry supply chains during and post events as impacts began to affect supply to the community. EUSFAC provided regular situation reports to the State Emergency Operations Centre and sector stakeholders, which increased the situational awareness of both emergency service and industry planners in coordinating response and recovery operations.

Accredited service providers

The *Electricity Supply Act 1995* and the *Electricity Supply (General) Regulation 2001* established a policy framework for 'contestable works' including distribution and transmission network construction, service connection and metering work and reticulation design work funded by customers. This required providers of these services to be accredited by a government agency.

The Department of Energy, Utilities and Sustainability undertook this function until 27 April 2007 when it was transferred to the Office of Fair Trading. At the time of transfer there were 1,211 accreditations in 3 designated levels.

The legislative and regulatory powers for this scheme remain with the Minister for Energy. Hence responsibility for the Act, Regulation and Contestable Works Code of Practice remains the responsibility of the Department of Water and Energy.

Renewable energy and efficiency programs

National Emissions Trading Scheme

The National Emissions Trading Taskforce was established in March 2004 with all state and territory Governments participating, but not the Australian Government. The Taskforce is chaired by NSW through the Department of Premier and Cabinet, with DWE participating as a NSW representative. The Taskforce released a discussion paper on a possible design for a National Emissions Trading Scheme (NETS) in August 2006. During the year, the Taskforce continued to refine the design parameters and model the impacts, and will provide its final report to a First Ministers meeting in late 2007.

Introduction of a NSW renewable energy target

In November 2006, the Premier announced that NSW would implement a NSW Renewable Energy Target (NRET) that would increase the consumption of renewable energy in NSW to 10% by 2010 and to 15% by 2020, and maintain the 2020 level of renewable energy consumption to 2030.

On 27 June 2007, the *Renewable Energy (New South Wales) Bill 2007* was introduced into the Parliament. This was followed by a period of consultation.

Renewable energy programs

DWE administers the Photovoltaic Rebate Program (PVRP) and the Renewable Remote Power Generation Program (RRPGP) on behalf of the Australian Greenhouse Office.

The Commonwealth-funded PVRP had the level of rebate doubled to \$8,000 per system during the year, leading to a significant increase in the number of applications. In 2006-07, 384 PV systems received rebates in NSW, with a total of 590 kW of installed capacity, the highest of all states in Australia. For the first time, the number of grid-connected systems receiving rebates exceeded the number of stand-alone systems. It is intended that the Program be handed back to the Commonwealth in 2007-08 after DWE has finalised the outstanding applications at 30 June 2007.

Table 3.5 Photovoltaic Rebate Program

Photovoltaic Rebate Program	2004-05	2005-06	2006-07
Applications received (No.)	457	310	634
Rebates paid (No.)	276	333	384
Installed capacity (kW)	378	420	590

The RRPGP provides rebates for remote power generation systems, as well as assisting energy efficiency improvements in remote off-grid communities. Investigations proceeded on an energy efficiency program for homes on Lord Howe Island, aiming to reduce the consumption of diesel-generated electricity on the Island.

National GreenPower Accreditation Program

DWE aims to increase usage of renewable energy through the management and program delivery of the National GreenPower Accreditation Program, including;

- accreditation of generators;
- accreditation and contract management of retailers;
- project management of auditing services and processes to ensure continued credibility and efficiency of GreenPower;
- delivery of NSW Greenhouse Plan commitments to increase community awareness of GreenPower in NSW, and introduce regulation requiring all retailers to offer GreenPower to new or moving residential customers; and
- provision of a national secretariat function for the GreenPower program (meetings, agreements, program rules and reviews, participant fees and financial management).

The targets for the program are to increase customer participation in NSW and to increase sales of GreenPower in NSW.

During 2006-07 the Electricity Supply (General) Amendment (Renewable Energy Sources) Regulation 2006 came into force on 15 January 2007. This required all electricity retailers in the State to offer all new or moving residential customers a minimum 10 per cent renewable energy product. To support this DWE implemented a major community awareness campaign on GreenPower.

Unprecedented growth was subsequently reported in customer participation and sales of GreenPower in NSW. Customer participation tripled from 55,317 in June 2006 to 167,923 in June 2007 and sales increased by 37 per cent from 256,467 MWh to 350,826 MWh between 2005-06 and 2006-07.

An additional 11 GreenPower providers and 12 GreenPower generators were recruited to the Program bringing the totals to 23 providers and 254 generators.

GreenPower was the winner of the Banksia Environmental Award in 2006 for the Climate Category.

Rapid growth in the program has required a responsive culture within the team. Processes are being reviewed and efficiencies gained to ensure that responsiveness can be sustained and the program can continue to grow at current rates. In the coming year DWE will implement a number of changes such as:

- audit process reform to improve transparency and credibility whilst removing inefficiencies;
- introduction of fees to providers for auditing services; and
- review of product marketing guidelines for providers to strengthen the brand and attract more commercial customers.

It is anticipated that there will be sustained growth in customer participation and sales in 2007-08.

Table 3.6 NSW GreenPower Program

NSW GreenPower Program	2004-05	2005-06	2006-07
NSW GreenPower customer participation (No.)	27,721	55,317	167,923
NSW GreenPower sales (MWh)	171,762	256,467	350,826

KEY PERFORMANCE INDICATOR

Proportion of DWE's State Plan milestones for renewable energy targets achieved – not able to be specifically assessed at this stage.

Energy programs - analysis and modelling

Data collection, analysis and modelling form a key function of the Department in the development of sound policy options for the Government. DWE undertook extensive modelling and analysis for the review of the Greenhouse Gas Reduction Scheme (GGAS) targets, review of Large User Abatement Certificate (LUAC) Rules, electricity demand supply balance for NSW and the development of the NSW Renewable Energy Targets (NRET).

Other projects and policies assisted by DWE included the development of Sustainable Energy and Water Policy to further the implementation of the Government Energy Management Policy (GEMP), implementation and monitoring of the Cleaner Government Fleet policy, and development of the State of the Environment (SOE) Report 2007 by the then Department of Environment and Conservation through the SOE working group.

Operation of the Greenhouse Gas Reduction Scheme

The Greenhouse Gas Reduction Scheme (GGAS) is the first mandatory emissions trading scheme to reduce greenhouse gas emissions in Australia and one of the first in the world. In 2006, its fourth year of operation, some 10 million abatement certificates were created across a range of eligible abatement activities, bringing to some 47 million the number of certificates created over the life of the scheme to 30 June 2007. To date there has been full compliance with GGAS benchmarks.

During the year it came to the Government's attention that some programs being implemented under the Demand Side Abatement Rule of GGAS were not achieving the expected installation rate. Accordingly, the Rule was amended from 25 August 2006 to ensure that the default "Installation Discount Factor" reflected actual installation rates for giveaway programs.

Table 3.7 Greenhouse Gas Reduction Scheme

Greenhouse Gas Reduction Scheme	2004*	2005*	2006*
Abatement certificates created (M)	7.65	10.02	19.91
Greenhouse gas emissions saved (M t CO ₂ -equivalent cumulative)	14.31	24.33	44.24

* This scheme operates on a calendar year basis

Extension of the Greenhouse Gas Reduction Scheme (GGAS)

The NSW Greenhouse Plan, released by the Premier in November 2005, committed to extending the NSW Greenhouse Gas Reduction Scheme to 2020, if agreement on a national emissions trading scheme is delayed. In November 2006, the *Electricity Supply Act 1995* was amended to extend GGAS to 2020 and beyond, unless and until a National Emissions Trading Scheme is established. This followed a process of stakeholder consultation.

The Prime Minister announced on 3 July 2007 that the Commonwealth Government will implement an Australian Emissions Trading Scheme commencing in 2012 at the latest. Accordingly, the NSW Government is developing a transition plan for the phase out of GGAS.

Minimum Energy Performance Standards and energy labelling

Mandatory Minimum Energy Performance Standards (MEPS) and energy efficiency labelling requirements under the *Energy and Utilities Administration Act 1987* cover a range of electrical appliances and equipment and have the objective of improving product energy efficiency and reducing greenhouse gas emissions. MEPS are designed to keep the worst performing electrical appliances and equipment out of the Australian market. Energy labelling complements MEPS by providing consumers with information about the relative energy performance of consumer appliances. The program is coordinated nationally while being regulated at the state and territory level. The Department of Water and Energy is the NSW regulator.

During 2006-07, 282 applications were registered by the Department. Significant changes made to the program included:

- for dishwashers, the inclusion of standby power into the energy efficiency label calculations; and
- for clothes washers, inclusion of standby power into the energy efficiency label calculations and the introduction of a requirement to pass the rinse performance test. Without a rinse performance requirement, higher Water Efficiency Labelling Scheme (WELS) water efficiency ratings could be achieved by reducing rinse performance to levels that may not meet the needs of clothes washer users.

Products which are proposed for regulation in the future, subject to normal regulatory processes and approval

by the MCE, include external power supplies, set top boxes, televisions, home entertainment products such as audio and video equipment, boiling and chilled water dispensers, vending machines, commercial icemakers, chillers and a range of lamp types. MEPS and labelling for gas water heaters and space heaters are also being developed.

Table 3.8 MEPS and energy efficiency labelling

MEPS and energy efficiency labelling	2004-05	2005-06	2006-07
NSW Product registrations for MEPS / Energy labelling (No.)	432	412	282
Estimated Savings Power (GWh cumulative)	537	774	1,119
Estimated Savings CO ₂ -e ('000 t cumulative)	485	683	993

Vulnerable customer support

Customer protection framework

The Department maintains one of the most comprehensive customer protection frameworks for NSW electricity and gas customers in the country. As part of this work, it has engaged with other jurisdictions on the development of arrangements to establish a single comprehensive national customer protection regime through the Ministerial Council on Energy national energy market reform program. The Department is progressing with this work in close consultation with relevant stakeholders.

DWE successfully managed the first retailer of last resort (ROLR) event in the NEM following the suspension of an electricity retailer. This involved working closely with the market administrator and the three NSW retailers of last resort to ensure all affected customers continued to receive an uninterrupted supply of electricity.

Protections for customers facing financial difficulties

In order to ensure vulnerable customers have continuing access to electricity and gas supply, there are two forms of protection – the relevant obligations placed on energy suppliers in the electricity and gas regulations, and the NSW Government energy concessions. The following changes have been made to strengthen disconnection procedures and protect vulnerable customers.

1. *The Electricity Supply (General) Amendment Regulation 2007* and *Gas Supply (Natural Gas Retail Competition) Amendment Regulation 2007* were gazetted on 29 June 2007. The new Regulations provide more protections for customers in financial hardship. The major improvements include changes to the disconnection procedures and a new requirement for all retailers to have their payment plans approved by the Minister for implementation by 30 September 2007. Before disconnecting a customer facing financial hardship for non-payment, a retailer will be required to offer a payment plan to the customer.
2. All retailers have submitted their *Hardship Charters* in response to the Minister's request for developing, implementing and publishing their hardship charters. The Charters outline policies and procedures adopted by respective retailers to offer assistance to their customers in staying connected to the services.

3. Retailers have been requested to report on additional customer disconnection data from 2007-2008 on a quarterly basis to assist the Minister in monitoring the effectiveness of the above policy changes in NSW and to develop new policy initiatives.

DWE will continue to work closely with energy retailers to monitor the effectiveness of these new obligations, particularly in relation to customer disconnections.

The Regulations were finalised following a series of consultations with stakeholders. A major challenge was to strike a good balance between the multifarious interests of a range of stakeholders.

Energy concessions schemes

Pensioner Energy Rebates and Life Support Rebate

The Department is responsible for administering the NSW Government's energy rebate scheme for pensioners and the electricity rebate scheme for those on life support. During 2006-07, \$74.57 million was distributed to approximately 640,000 pensioners through the pensioner energy rebate scheme and \$2.664 million was distributed through the life support rebate scheme to approximately 20,000 customers who need to electrically operate an approved life-support machine at home.

Energy Accounts Payment Assistance (EAPA) Scheme

The Department is responsible for administering the Energy Accounts Payment Assistance (EAPA) Scheme, which assists consumers facing temporary difficulties paying their electricity or gas bills. DWE provides community welfare organisations with \$30 credit vouchers which they distribute to their clients. During 2006-07, \$7.435 million was distributed through this program.

Table 3.9 Customer Protection

Customer Protection	2004-05	2005-06	2006-07
Electricity customer disconnections (% annual reduction on previous year's number)	n/a	10	22
Proportion (%) of energy customer support payments processed within agreed standards	n/a	n/a	n/a

KEY PERFORMANCE INDICATOR

Proportion of energy customer support payments processed within agreed standards

DWE will develop methods of assessing this indicator as part of improved customer service programs in coming years.

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Organisational capability

Overview

Planned result Being responsive to stakeholders' needs through the provision of high quality, cost-effective services, staff supported and developed appropriately and business capacity improved.

Planned outcomes

- High quality cost-effective services for clients
- A safe, healthy work environment with minimal risk in decisions and activities
- Retaining and attracting the best people in a fair professional workplace
- Uniform, efficient and cost-effective information, systems and procedures
- Efficient, accurate and informative financial and asset management

Major outcomes achieved

- Established new agency without industrial disputes whilst maintaining continuity of service delivery
- Established a governance framework (including key committees – audit/risk, budget/finance, people/performance) and revised organisational structure (November)
- Prepared a new Corporate Plan which established strategic directions and strategies for delivering Government objectives and State Plan targets (Nov)
- Established a strong focus on workplace safety through implementing risk management strategies
- Set up regular Joint Consultative Committee arrangements to ensure obligations to consult with the various unions in relation to workplace change are met
- Workforce planning and targeted employment programs have been assessed as needing priority focus
- Established mechanisms for determining a delivery model for future human resource and financial management systems for the new department
- Despite extensive machinery of government changes and restructure of agencies an unqualified independent audit report on DWE's financial statements was delivered

Key Performance Indicators

Level of client satisfaction with service quality.	Has not been formally or comprehensively assessed. DWE will put processes in place to provide this assessment in coming years.
Percentage of line managers trained in OHS.	Figure not available at this stage. DWE is planning to have all line managers trained in the new system by March/April of 2008.
Number of workplace injuries and incidents.	Total figures not available at this stage.
Staff turnover	The staff establishment figures at 30 June 2007 will be used as a reference point to determine this key performance indicator by June 2008.
Extent of achievement of Equal Employment Opportunity (EEO) targets.	Overall achievement 45%. Comparison with previous years is not valid. This figure establishes a reference point from which progress towards the targets can be measured.

Organisational capability

Performance report

Service delivery

Customer service

DWE's customer support team in the Elizabeth St office provided the customer service interface on the following Departmental services and programs:

- Undertaking property searches for pipeline permits;
- Registration of corrosion protection systems under the Electricity Safety (Corrosion Protection) Regulation 1998;
- Accrediting electrical service providers under the Accredited Service Providers Scheme (now mostly transferred to Office of Fair Trading);
- Processing and responding to applications under the Renewable Remote Power generation Program and the Photovoltaic Rebate Program;
- Registration of products under the Minimum Energy Performance Standards and Energy Efficiency Labelling schemes;
- Distribution of funds under the Pensioner Energy Rebate and Life Support Rebate Schemes;
- Distribution of funds under the Energy Accounts Payment Assistance (EAPA) Scheme, and
- Providing information and advice to people phoning the Energysmart Information Line.

The team responded to over 17,000 customer enquiries – phone calls and applications received – during the year.

In addition, the Information Centre in the Bridge St office of the former DNR responded to 29 counter and 1,416 telephone water enquiries. The majority of enquiries were for Bores/Groundwater (especially the Botany issue around August 2006), and 3A permits.

Guarantee of service

The Department is committed to providing high quality customer service and to improving services wherever possible. To ensure that our services are customer focused, staff participate in working groups or liaise with customers across a wide range of customer groups. In liaising with customers, the Department aims to:

- achieve a better understanding of customer needs;

- improve cooperation and the exchange of information between Department staff and interested organisations and individuals, and
- implement changes based on the feedback obtained, to improve services wherever possible.

In all its roles, DWE provides services to a variety of customers, both internal and external. As a new organisation DWE is in the process of preparing its Guarantee of Service which will be directed towards external customers. When finalised, it will be made available to customers and stakeholders and published on the Department's website.

Feedback on our service

DWE welcomes and values comments about its services and programs. Feedback helps to improve services and program delivery, resolve concerns and provides the opportunity to learn from any problems. DWE is pleased to hear from people if:

- we are giving outstanding service;
- we are not meeting our service standards;
- they have any ideas on how we can improve our service and program delivery, and
- they are dissatisfied with the service received.

Consumer response

Consumer issues can be raised with DWE in a number of ways. DWE's draft consumer suggestions and complaints policy and procedures, being developed as part of the Guarantee of Service, encourages staff to respond to consumers at the local level. In this way, complaints are most often resolved very quickly.

Management reviews

No specific management reviews of the Department's activities or services were undertaken by either the Auditor-General or other external agencies. Since the establishment of DWE a number of internal reviews have commenced in the process of restructuring and merging the component agencies. Outcomes of these reviews will assist in streamlining and focussing service delivery.

Community and stakeholder relations

Communications - The Department is committed to building knowledge and awareness of its programs, policies and reforms, and ensuring that our range of communication strategies and products are effective, cost efficient and in line with community needs. The Department published an extensive range of reports, technical papers, fact sheets and other information in print and online. Publications are detailed in Appendix 2. We engaged directly with the community providing information and advice on our role and services at events including regional field days and the Sydney Easter Show, where our exhibit received a gold award.

Media relations - Keeping the community informed of any decisions, policies and operational changes which impact on NSW residents is vitally important. The Department's media team liaises closely with print and electronic media outlets in Sydney, regional centres and rural areas, providing up-to-date information and advice, answering queries and responding to issues. About 800 media inquiries were responded to this year.

Overseas visits - A number of Departmental officers travelled overseas on behalf of the Department to participate in and contribute to technical and scientific associations' activities in the Department's area of operations. Details are shown in Appendix 3.

Service delivery - achieving Aboriginal Affairs results

'Two Ways Together' is the NSW Government's ten year Aboriginal Affairs Plan 2003-2012 for delivery of Aboriginal Affairs results including improved Aboriginal employment outcomes. The plan has a significant impact on all NSW agencies' service delivery.

DWE is developing service plans addressing the key areas of Aboriginal participation in agency decision making, service planning and delivery, partnerships with Aboriginal people, and employment and development.

The Department is collaborating with other agencies - in particular the Natural Resources and Environment CEO Cluster Group - on a number of initiatives for Aboriginal communities.

- The development and implementation of the Water Sharing Plans is being progressively rolled out and this involves consultation with Aboriginal communities and information on the inclusion of allocations for Cultural Water in WSPs. The

local consultation is undertaken by the relevant Catchment Management Authority, and

- DWE is also working with the lead agency Department of Aboriginal Affairs as well as the Aboriginal Housing Office and NSW Department of Health to develop a way forward on the provision of sustainable water and sewerage facilities for Aboriginal communities in NSW.

DWE has commenced operations with the percentage of Aboriginal and Torres Strait Islanders being 1% of total staff compared to the Government target of 2%. The Department's Aboriginal Employment Strategy is aiming to see this increase over the coming years.

Service delivery and Ethnic Affairs Priority Statement (EAPS)

Culturally and Linguistically Diverse (CALD) communities make up only a small proportion of DWE's client base, however the Department endeavours to ensure that the State's CALD communities have the opportunity to participate fully in local water and energy issues decision-making. DWE's EAPS Forward Plan simply involves maintaining two initiatives - the Community Language Allowance Scheme and a Translating and Interpreting Service - aimed at general CALD communities and to develop targeted initiatives where appropriate for specific projects or services.

During 2006-07, under the Community Language Allowance Scheme, four Departmental staff were paid an annual allowance to provide language assistance in Arabic, Filipino (Tagalog), Russian, Spanish and Vietnamese to any person requesting the service in accessing Departmental information/services. The Translating and Interpreting Service enabled CALD people to access information in a range of languages. DWE will continue to offer these services to CALD communities in the future.

Two specific projects targeting CALD communities included:

- In 2006 the NSW Department of Natural Resources implemented a communications plan to ensure that residents from culturally diverse backgrounds understood the new precautionary restrictions that covered the use of groundwater in the Botany Sands Aquifer. The use of this groundwater had increased due to the record breaking drought, and small sections of the groundwater resource were identified as having been contaminated as a result of

over 100 years of high level industrial activity in the area. The Department translated key messages in its Managing Groundwater Use in the Botany Area brochure into six community languages - Vietnamese, Greek, Cantonese, Spanish, Portuguese and Arabic - distributed poster sized versions of the translated key messages to councils, community centres and post offices in the area and included this translated information in the Botany Bay Council's Ethnic Horizons newsletter. The translated information was also featured in the Botany Bay City and Marrickville Council's mayoral columns in local newspapers and selected ethnic media, and

- People from Culturally and Linguistically Diverse communities are being supported to conserve and reuse water through the Water for Life Home Water Action Project. This partnership with the Ethnic Communities Council of NSW as part of the NSW Government's Water for Life Education Program has trained 18 bilingual educators and run engaging workshops for over 1,400 residents within the 8 largest ethnic community groups in the Greater Sydney area. It has also piloted a new water ambassadors program by training and supporting 45 Water Ambassadors to educate others about saving water. A guide has been developed to allow others to run culturally appropriate water education. More at www.waterforlife.nsw.gov.au

Service delivery and client satisfaction

DWE provides a range of services to a wide range of clients and, at this early stage in its life, has not undertaken a comprehensive survey of clients on which to base a reliable assessment of client satisfaction. Client satisfaction is also influenced by several other factors such as the difficulty clients have in differentiating between satisfaction with the service delivered by DWE and the Government policies that it is implementing. The increasingly regulatory and compliance enforcement role that DWE is undertaking also influences the public's perceptions and acceptability of DWE's service. However, with these caveats in mind, DWE will put processes in place to provide this client satisfaction assessment in coming years.

KEY PERFORMANCE INDICATOR

Level of client satisfaction with service quality – has not been formally or comprehensively assessed. DWE will put processes in place to provide this assessment in coming years.

Governance and risk

Corporate governance framework

At the time of commencement of DWE - 27 April - the components of former organisations were joined into a new organisation on the basis of maintaining functional groups as far as possible to allow work to continue. The diverse support systems such as for human resource, financial and asset management would take some time to bring together. Since that time DWE has undertaken a comprehensive review of its role, priorities and services and the corporate structure required to implement those priorities within the allocated financial resources.

By 30 June DWE was operating on an interim structure consisting of four main divisions for Energy; Water Utilities and Science; Water Management; and Compliance, Licensing & Corporate Support. These were supported by the Office of the Director-General and Legal Branch.

DWE has subsequently completed the organisational review and by November 2007 had established management and organisational structures. The organisational structure, shown earlier in this report and consisting of seven divisions, has been designed to streamline operations and deliver core functions effectively.

Governance arrangements are described by the management framework. The Department is led by the Senior Management Team consisting of the Director-General, two Deputy Directors-General (Water Management and Utilities) and the Chief Financial Officer. The Executive Committee, comprising the Senior Management Team and other divisional heads, coordinates and directs the operations of the Department.

There are three specific purpose committees that report to the Executive Committee:

- Audit and Risk;
- Budget and Finance, and
- People and Performance.

These three committees comprise members of the Executive Committee and Departmental officers with relevant specialist skills to provide advice, reports and recommendations on strategic corporate issues for the effective management of the Department.

In other governance arrangements, a draft DWE Code of Conduct has been developed and is to be widely consulted with staff and unions. Existing Codes of Conduct from the former agencies continue to apply in the interim. Delegations for water, energy, financial, administrative and human resource management matters are also being reviewed in light of the new organisational structure. Committees with external membership have been established or continue to advise the Ministers and/or the Department. These bodies ensure the policy development and operations of the Department include community and stakeholder input. These and other external committees and boards that Departmental staff contribute to are detailed in Appendix 4.

Changes to legislation and significant judicial decisions that may have impacted on DWE's administration of the legislation are detailed in Appendix 5.

The Department made use of a small number of consultants across five categories: economic, engineering, environmental, legal and technical. Full details are shown in Appendix 6.

As DWE works in partnership with other organisations to achieve its goals, significant funding is distributed to third parties - mostly government but some to non-government organisations - in the form of grants and subsidies. Funds granted to non-government organisations are shown in Appendix 7.

Corporate and business planning

DWE, by November 2007, had developed a Corporate Plan for 2007 -2010. The Corporate Plan sets out DWE's results, planned outcomes and key strategies for the next three years. Importantly, it also describes the performance indicators which will be used to measure DWE's success. The Plan will assist DWE in responding to challenges and meeting the Government's objectives. It is intended that the Plan will provide a context for staff in carrying out their jobs as well as a means of communicating priorities and specific strategies to the community.

Although the Plan looks forward to the next three years, it is intended to review its effectiveness in guiding DWE's activities in about 12 months. This will keep the strategies and targets in the Plan up to date and aligned with the latest Government priorities.

The Plan directs business planning and accountability arrangements within the new organisational structure. It aligns with the DWE Results and Services Plan which DWE agrees to with NSW Treasury annually. Each division and branch of DWE will prepare a business plan to be approved by the Executive. These business plans will detail actions and services to be undertaken in each financial year to contribute to the corporate priorities, key outcomes and strategies outlined in the Plan.

Privacy

In the 2006-07 reporting period, there were no requests for access to documents, no applications for an internal review and no complaints under the *Privacy and Personal Information Protection Act 1998*. DWE's privacy policy is discussed in Appendix 8.

Freedom of Information

The Freedom of Information Act 1989 gives the public the legal right to obtain access to documents held by the Department, request amendments to records of a personal nature that are inaccurate and appeal against a decision not to grant access to a document or to amend personal records. A total of 49 FOI applications were dealt with by DWE. A statistical summary of FOI dealings as well as DWE's Statement of Affairs are shown in Appendix 9.

Strategic risk management

DWE has established an audit and risk committee to undertake strategic risk management. It is proposed to incorporate a risk exposure assessment in the Department's decisions and activities and to develop an internal audit program to minimise the risk of fraud and maximise efficiencies in all business processes. Unions have been fully engaged in the current change processes ensuring that industrial issues are managed effectively. Attention will also be focussed on workplace safety with the establishment of an executive level OHS Management Steering Committee which will take responsibility for the development of OHS initiatives which are achievable, measurable and in line with corporate safety improvement targets.

Occupational Health and Safety

Following the creation of DWE in April 2007 a complete review was undertaken of OHS management systems in the former agencies of DNR and DEUS. Interim measures were established to ensure that claims and

injury management and reporting were streamlined and existing consultation and issues resolution procedures remained in place.

DWE has a moderately high risk of OHS incidents and injuries and includes high risk groups such as drillers, hydrographers, river works staff and various regulatory and compliance functions.

Management support and commitment to a safety culture at the most senior level has been demonstrated through the setting up of an OHS Management Steering Committee to ensure that a culture of safety awareness and improvement is set up in DWE.

Work has begun on a review of all policies and procedures, as well as compilation of a comprehensive data-base of risk assessments and safe work method statements to assist staff in developing their local safety action plans.

A draft Consultation Framework is being widely discussed with staff and unions and appointment of new OHS representatives and OHS Committee members is planned for February 2008.

A new OHS intranet site has been developed with the brand of “Safety Matters” and user consultation is occurring to ensure that the new site enables users to readily find critical OHS information.

Information, instruction and training of Executive, Managers and staff in OHS and clarity around roles and responsibilities of all levels of staff is planned beginning with an Executive workshop from an OHS barrister and presentations from other organisations who have developed excellent safety cultures and improvements in performance.

The public sector targets in the NSW Government’s document *Working Together* include an indicator that, “90 per cent of managers within each agency will be provided with appropriate information, instruction and training in their roles and responsibilities under their agency’s OHS and injury management system...”. DWE is currently developing, and consulting with staff and unions, on an OHS Management System and is planning to have all line managers trained in the new system by March/April of 2008.

KEY PERFORMANCE INDICATOR

Proportion (%) of line managers trained in OHS – Figure not available at this stage. DWE is planning to have all line managers trained in the new system by March/April of 2008.

Detailed work has also been undertaken to establish the correct split of claims (from the former DNR) between departments. This is an important exercise which, if not addressed, could detrimentally affect DWE’s worker’s compensation premium. Discussions are continuing with Treasury Managed Fund (TMF) and other affected departments.

There were no prosecutions for breaches of the OHS Act during this period.

KEY PERFORMANCE INDICATOR

Number of workplace injuries and incidents – Total figures not available at this stage.

People and culture

Change management and industrial relations

The Department has set up regular Joint Consultative Committee arrangements to ensure it meets its obligations to consult with the various unions in relation to workplace change. During the early stages of the new department, these meetings are being held on a monthly basis.

The Department is committed to trying to resolve individual and agency wide issues through negotiation and conciliation as much as possible.

KEY PERFORMANCE INDICATOR

Staff turnover – Staff establishment figures at 30 June 2007 will be used as a reference point to determine this key performance indicator by June 2008.

Personnel policies and practices

With the forming of the Department of Water and Energy (DWE), all Human Resource (HR) policies and practices are currently being reviewed to reflect the new agency's operational outcomes and culture. A policy review team is identifying priority policy areas in line with corporate objectives in the Corporate Plan and Workforce Capacity Plan.

Since the formation of DWE, HR activity has focused on supporting the management and staff of the agency in creating and transitioning to the structure for the new department. New HR practices and procedures have been put in place to reflect the new operating environment, including managing the relationship with the two outsourced corporate services providers servicing DWE.

Equal Employment Opportunity and support programs

DWE will conduct a staff survey to gather the thoughts and feelings of staff on their workplace and will use this data to design new programs.

DWE continues to support staff through formal programs that have continued from the agencies that preceded DWE. For example:

Spokeswomen's Program – The Department supports this NSW Government Strategy, part of the *NSW Government Action Plan for Women*, and will be continuing the best practice model adopted in the

former DNR which includes elected spokeswomen operating at the strategic level and adopting a whole-of staff approach to gender equity issues.

Aboriginal Support Network – The Department will continue to support the current Tri-agency support network (Department of Lands, Department of Planning and Department of Water and Energy).

Staff from non-English speaking backgrounds - The Department attracts many highly skilled and educated people from non-English speaking backgrounds (NESB) and they are well distributed across salary levels. During the recent organisational changes the focus has primarily been on developing the skills and knowledge of existing staff to facilitate their transition. The Department will also be extending its consultation processes to include a reference network consisting of people from non-English speaking backgrounds. This network will provide input to policy development, corporate and business planning and future EEO strategies.

Disability Action Plan – The plans from the two main former agencies will be amalgamated into a new DWE action plan. DWE continues the commitment to ensuring that access issues are taken into consideration during organisational change and a focus on developing technology and consultation strategies to address these issues.

A. Trends in the Representation of EEO Groups	% of Total Staff		% Achievement of target
EEO Group	NSW Government Benchmark or Target	At 30 June 2007*	
Women	50	35	70
Aboriginal people and Torres Strait Islanders	2	1	50
People whose first language was not English	20	12	60
People with a disability	12	4	33
People with a disability requiring work-related adjustment	7	2	14
			Ave=45

*As DWE is a new agency comparable figures for previous years are not valid.

Further more detailed EEO statistics are shown in Appendix 10.

As can be seen from the above table, at 30 June 2007 DWE was below the NSW Government target for all five EEO groups. The average extent of achievement of the relevant target across the five groups was 45%. As DWE is a new agency resulting from a merger of a number of components of former agencies on 27 April 2007, employment strategies targeting the EEO groups have not had time to take effect. This figure has however established a reference point for the new agency from which progress towards the targets can be measured.

KEY PERFORMANCE INDICATOR

Extent of achievement of Equal Employment Opportunity (EEO) targets – 45%

Comparison with previous years is not valid. This figure establishes a reference point from which progress towards the targets can be measured.

A formal induction program is in place for new metropolitan based staff and this will be expanded to include staff from regional locations.

The Department will continue to support staff to undertake central agency coordinated programs and currently has a number of staff participating in the NSW Public Sector Management Course, Executive Development Program, ANZSOG Master of Public Administration and Graduate Diploma in Public Administration.

New programs

Through the next year DWE will focus on:

- Workforce Planning – Looking at formalised strategies to target recruitment to identified skill gaps and retention strategies for staff looking to exit the agency especially in light of the NSW Public Sector age profile, and
- Employment Programs – The former DEUS Graduate Recruitment Program will be expanded to cover the whole of DWE and a formal Recruitment Strategy targeting Aboriginal people and people with a disability will be developed.

Learning and development

The learning and development strategies of the former agencies are being amalgamated and a new program for DWE will be announced in 2008. Ongoing sizeable training programs include the module training for Compliance Officers and a program planned to commence in February 2008 for Water Licensing staff.

The agency will continue to support staff undertaking relevant external studies by approving study time and explore scope to partially fund this type of development activity.

Systems, processes and information resources

Information, communications and technology

During the year, a number of enhancements and new systems were implemented to align with the strategic requirements of the Department at the time.

To streamline the Ministerial and executive correspondence management process, the records management system infrastructure was enhanced with an upgrade of TRIM Context and the underlying server architecture. New features such as electronic scanning have also improved the efficiency of the Department's correspondence processing.

Extensive development work continued with the creation of several interactive tools for the Department's websites. The NABERS Energy Explorer was successfully launched, and the NABERS Office Rating Calculator and the NABERS Water Explorer tool is set for launch. The primary purpose of these tools is to enable the public to measure energy and water usage at home or at work. They provide analysis and recommendations for conserving resources.

Critical server infrastructure components were upgraded including the Department's database servers which provide greater stability and improved functionality and reporting capabilities, and the implementation of a new 'snap-shot' data recovery system for improved business continuity. Remote communication has been enhanced through the deployment of BlackBerry devices to approved staff members.

Following the merger of agencies and as at 30 June 2007, DWE was delivering Information Technology through two agencies. Similarly two corporate service providers deliver transactional and compliance services in relation to finance and human resources.

The redistribution and ownership of physical assets, wide area connectivity infrastructure and core applications are still to be resolved and co-owned by many differing agencies and service providers. This arrangement is in place as a consequence of the Machinery of Government changes that resulted in the creation of DWE and the abolition of the Department of Natural Resources (DNR).

For those staff who originated from DEUS and TCO, finance and HR support is provided by Central Corporate Services Unit (CCSU) from the Department

of Commerce (DoC). For those staff residing in the Elizabeth St building and a small number of disparate regional users, in particular the water utility regional officers, the Information Technology needs are delivered internally by the former DEUS IT support network and staff.

For those staff who originated from the Department of Natural Resources (DNR), finance and HR support is provided by Corporate Shared Services (CSS) now an arm of DoC. For the regionally based staff and staff located within the Parramatta and Bridge St offices Information Technology needs are currently provided by the CSS network and support team. A communication pipe has been put in place between the CSS Parramatta office and Elizabeth St office to enable system access between the two IT operational rooms and applications.

In line with the State Plan and agencies moving toward shared corporate services for Information Technology delivery, DWE is awaiting a decision from central agencies (Senior Officer cluster groups, GCIO, Premiers and DoC) as to what IT service delivery model is to be adopted and by whom these services will be supplied.

Once a delivery model is decided for transactional, operational and strategic delivery mechanisms for assets, systems to assist DWE deliver its Corporate Plan and Results & Services Plan outcomes can be defined and aligned.

Electronic service delivery

DWE already offers a wide range of information services to all stakeholders on its website and is progressing towards delivery of customer transactional services on-line. These services require identification of the individual customer within a secure environment. The priority project for implementation is the development of electronic water information exchange (WIX). This is a joint initiative between DWE and State Water Corporation for exchanging water information, such as water orders, meter reading (water usage), river heights, and crop statistics, with customers via the web, short message service (SMS) and interactive voice response (IVR).

WIX will initially be available to customers who access water from regulated surface water sources which are subject to the NSW Water Sharing Plans. It is anticipated that the pilot site for WIX will be introduced early in 2008 with the rollout to other areas expected throughout 2008.

Financial and asset management

Financial planning, budgeting and reporting

As the Department was created part way through the 2006-07 financial year, financial planning and budgeting activities were maintained on a pre-DWE budget basis relating to the specific functions that were transferred to DWE.

Existing robust monitoring and control mechanisms ensured the combined annual DWE 2006-07 budget result was within the NSW Treasury determined Net Cost of Services Limit.

It is anticipated that budgeting for 2007-08 and future years will be significantly improved based on the new DWE structure with clear financial and non financial targets built into the Department's planning regime.

DWE also received an unqualified audit opinion for the 2006-07 financial report covering the period 27 April 2007 to 30 June 2007. This was a pleasing result given the complexities involved in consolidating incompatible source financial data into the one report.

Financial operations

DWE currently outsources its financial transactional and compliance services to both the Central Corporate Services Unit (CCSU) and the Corporate Shared Services (CSS) arms of the Department of Commerce. This is a legacy issue emanating from the creation of DWE. For this reason DWE has not been able to provide a consolidated, up to date report on payment of accounts at 30 June 2007. It is proposed that DWE will consolidate its outsourced financial services to one provider during 2007-08.

Corporate credit cards

Subject to meeting Departmental requirements, eligible staff members are issued with corporate credit cards to facilitate travel, accommodation and limited purchases. The Department's corporate card policies represent best practice in accordance with Treasury and the Auditor General's guidelines. The Corporate Card Guidelines/Procedures satisfy the requirements of the Revised Treasurer's Directions TD 205.01 - 205.08 and are based on the NSW Treasury 'Review of Credit Card Use Best Practice Guide' (TPP 99-2).

Corporate card expenditure is monitored for compliance with guidelines on a transactional basis and usage was considered to comply with best practice guidelines. No late payment fees were incurred as a result of corporate card usage.

Risk management and insurance arrangements

The Department's insurance cover is through NSW Treasury Managed Fund, which is administered by the Self Insurance Corporation (SICorp), a division of NSW Treasury, and provides cover for all insurance exposures faced by the general government sector. DWE's workers compensation cover is provided by Allianz while other categories are covered by GIO. One of the conditions of this insurance coverage is a requirement to place a high priority on the implementation of sound risk management practices.

DWE is committed to strengthen and strategically manage links between risk management, premium measurement and claims management and monitoring to minimise contingent risks and reduce premiums.

Asset management

DWE has prepared a Total Asset Management (TAM) Plan to guide effective management of its strategic assets. The TAM Plan sets out asset management processes to support service delivery strategies aligned with the Department's planned results and outcomes.

The carrying value of the Department's major assets, such as buildings, bores and data systems (but excluding land) is \$39.291 M as detailed in Appendix 11. No land was disposed of during the year.

DWE's capital works program continued with no significant delays encountered. Details of major works in progress are shown in Appendix 12.

DWE's energy consumption generally moved towards increased purchase of green power, minimising costs and reducing greenhouse gas emissions in accordance with Government Energy Management Policy. However, with the restructure of agencies in April 2007 and the subsequent machinery of government changes DWE is unable to provide detailed performance information in relation to energy management.

Procurement

Significant savings continue to be achieved through the aggregation of goods and services by way of preferred supplier agreements, standardisation of equipment and staff adherence to Government purchasing policies. The majority of stationery orders are now placed solely with Corporate Express online ordering. This not only achieves expenditure savings that are made with single source suppliers, but also reduces the considerable administrative costs involved in sourcing, ordering and paying for items procured from multiple suppliers.

The Department is committed to the NSW Government's Waste Reduction and Purchasing Policy (WRAPP) and has adopted practical strategies which aim to avoid waste, increase resource recovery and increase the purchase of recycled products. The Department's performance under the WRAPP is reported in Appendix 13.

Implementing pricing determinations

DWE is required to publish how it has implemented IPART's pricing determination for water management. The normal practice is for the State Water Corporation to invoice water management charges annually in arrears on behalf of DWE. Separate invoicing and banking arrangements for DWE and State Water users on the regulated rivers is currently required by IPART. Implementation of these arrangements extended the billing cycle and the invoicing of charges for the 2005-06 water year was held over in 2006-07.

In addition, because of the severity of the drought, it was decided to waive general security fixed water charges in the Lachlan regulated river valley for the 2006-07 water year. These charges would normally have been payable in 2007-08. The waiver for the Lachlan Valley was because the allocation in 2006-07 was zero and came after a series of zero allocations.

Part 3

Financial statements



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Department of Water and Energy

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Department of Water and Energy (the Department), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense, cash flow statement, program statement - expenses and revenues, and summary of compliance with financial directives for the period 27 April to 30 June 2007, and a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Department as of 30 June 2007, and of its financial performance and its cash flows for the period 27 April to 30 June 2007 in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

Department Head's Responsibility for the Financial Report

The Department Head is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Department Head, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Department,
- that it has carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

A handwritten signature in black ink, reading 'Maria Spriggins'. The signature is written in a cursive, flowing style with a large 'M' and 'S'.

M T Spriggins
Director, Financial Audit Services

21 November 2007
SYDNEY



NSW Government

Department of Water & Energy

Financial Report for the Period Ended 30 June 2007

Pursuant to Section 45F of the Public Finance and Audit Act 1983, I state that:

- a) The accompanying financial report has been prepared in accordance with:
 - Applicable Australian Accounting Standards;
 - The Public Finance and Audit Act 1983;
 - The Public Finance and Audit Regulation 2005; and
 - The Treasurer's directions including the Financial Reporting Code for Budget Dependent General Government Sector Agencies.
- b) The report exhibits a true and fair view of the financial position and transactions of the Department.
- c) There are no circumstances which would render any particulars included in the financial report to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'Mark Duffy', is positioned above the printed name.

Mark Duffy
Director-General

14 November 2007

**Department of Water and Energy
Operating Statement
for the period 27 April to 30 June 2007**

	Notes	2007 \$'000
Expenses excluding losses		
Operating expenses		
Employee related expenses	2(a)	12,083
Other operating expenses	2(b)	7,463
Depreciation and amortisation expenses	2(c)	230
Grants and subsidies	2(d)	60,266
Finance costs	2(e)	45
Total Expenses excluding losses		<u>80,087</u>
Less:		
Revenue		
Rendering of services	3(a)	8,204
Investment revenue	3(b)	1,498
Grants and contributions	3(c)	3,965
Other revenue	3(d)	1,451
Total Revenue		<u>15,118</u>
Gain / (loss) on disposal	4	(34)
Share of operating result of Joint Ventures accounted for under the equity accounting method		<u>(5,647)</u>
Net Cost of Services	25	<u>(70,650)</u>
Government Contributions		
Recurrent appropriations	5	72,707
Capital appropriations	5	1,977
Acceptance by the Crown Entity of employee benefits and other liabilities	6	1,741
Total Government Contributions		<u>76,425</u>
SURPLUS / (DEFICIT) FOR THE PERIOD		<u>5,775</u>

The accompanying notes form part of these financial statements.

**Department of Water and Energy
Statement of Recognised Income and Expense
for the period 27 April to 30 June 2007**

	2007 \$'000
Net increase/(decrease) in property, plant and equipment asset revaluation reserve	3,979
Available for sale financial assets	
Valuation gains / losses	65
Other net increases / (decreases) in equity due to administrative transfers	<u>764,004</u>
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	<u>768,048</u>
Surplus / (Deficit) for the year	<u>5,775</u>
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	<u>773,823</u>

The accompanying notes form part of these financial statements.

Department of Water and Energy
Balance sheet
as at 30 June 2007

	Notes	2007 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	9	54,767
Receivables	10	57,517
Financial assets at fair value	11	90
Other financial assets	12	184
Total Current Assets		<u>112,558</u>
Non-Current Assets		
Other financial assets	12	3,494
Property plant and equipment	13	
Land and Buildings	13	20,791
Plant and Equipment	13	3,149
Infrastructure Systems	13	26,072
Intangible assets	14	4,536
Investments accounted for under the equity method	16	651,221
Total Non-Current Assets		<u>709,263</u>
Total Assets		<u>821,821</u>
LIABILITIES		
Current Liabilities		
Payables	17	23,644
Borrowings	18	129
Provisions	19	8,397
Other	20	13,750
Total Current Liabilities		<u>45,920</u>
Non-Current Liabilities		
Borrowings	18	1,555
Provisions	19	523
Total Non-Current Liabilities		<u>2,078</u>
Total Liabilities		<u>47,998</u>
Net Assets		<u>773,823</u>
EQUITY		
Reserves	21	179,503
Accumulated funds	21	594,320
Total Equity		<u>773,823</u>

The accompanying notes form part of these financial statements.

**Department of Water and Energy
Cash Flow Statement
for the period 27 April to 30 June 2007**

	Notes	2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Employee related		(9,317)
Grants and subsidies		(53,683)
Finance costs		(45)
Other		(12,117)
Total Payments		<u>(75,162)</u>
Receipts		
Rendering of services		14,555
Interest received		595
Grants and contributions		3,775
Other		450
Total Receipts		<u>19,375</u>
Cash Flows From Government		
Recurrent appropriation	5	74,512
Capital appropriation	5	1,977
Cash reimbursements from the Crown Entity		-
Net Cash Flows From Government		<u>76,489</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	<u>20,702</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments accounted for under the equity method		(6,583)
Purchases of Plant and Equipment and Infrastructure Systems		(308)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(6,891)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings and advances		1,931
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>1,931</u>
NET INCREASE (DECREASE) IN CASH		15,742
Cash transferred in (out) as a result of administrative restructuring	22	<u>39,025</u>
CLOSING CASH AND CASH EQUIVALENTS	9	<u>54,767</u>

The accompanying notes form part of these financial statements.

Department of Water and Energy
Summary of Compliance with Financial Directives
for the period 27 April to 30 June 2007

Consolidated	2007			
	Recurrent Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000
ORIGINAL BUDGET APPROPRIATION / EXPENDITURE				
• Appropriation Act	-	-	-	-
• s24 PF&AA - transfers of functions between departments	228,561	78,307	6,505	1,990
	<u>228,561</u>	<u>78,307</u>	<u>6,505</u>	<u>1,990</u>
OTHER APPROPRIATIONS / EXPENDITURE				
• Section 22 - expenditure for certain works and services	2,250	2,250	-	-
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	230,811	80,557	6,505	1,990
Amount draw down against Appropriation		83,593		2,955
Liability to Consolidated Fund*		(3,036)		(965)

The Summary of Compliance is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed).

The "Liability to Consolidated Fund" represents the difference between the "Amount drawn against Appropriation" and the "Total Expenditure / Net Claim" on Consolidated Fund".

**Department of Water and Energy
Notes to the financial statements
for the period 27 April to 30 June 2007**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

The Department of Water and Energy, as a reporting entity, incorporates the activities of the Energy Corporation of NSW and the Water Administration Ministerial Corporation.

The Department is a NSW government department and is a not-for-profit entity (as profit is not its principal objective). The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The Department was established on 27 April 2007 in accordance with the Public Sector Employment and Management (General) Order 2007 under the Public Sector Employment and Management Act 2002. This is therefore the first financial report of the Department and as such there are no comparative figures.

The Department delivers the Government's policy and reform agenda for the water and energy sectors in New South Wales and provides policy, legislative, regulatory and management advice in relation to water and energy matters to the Government.

This financial report for the year ended 30 June 2007 has been authorised for issue by the Director-General on 14 November 2007.

(b) Basis of Preparation

The Department's financial statements are a general purpose financial report which has been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standard (AIFRS));
- the requirements of the *Public Finance and Audit Act* and Regulation; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets held for trading and available for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include AIFRS.

(d) Administered Activities

The Department administers, but does not control, certain activities on behalf of the Crown Entity in relation to Pipeline Licences under the Pipelines Act 1967. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the agency's own objectives.

Transactions and balances relating to the administered activities are not recognised as the agency's revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as "Administered Revenues", "Administered Expenses", "Administered Assets" and "Administered Liabilities".

The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of the administered activities.

(e) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

Department of Water and Energy
Notes to the financial statements
for the year ended Saturday, 30 June 2007

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) *Income Recognition (cont'd)*

(i) Parliamentary Appropriations and Contributions

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the agency obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

The liability is disclosed in Note 20 as part of 'Current liabilities - Other'. The amount will be repaid and the liability will be extinguished next financial year. Any liability in respect of transfer payments is disclosed in Note 26 "Administered assets and liabilities".

(ii) Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

(iii) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

(f) *Employee Benefits and other provisions*

(i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 *Employee Benefits*.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

(ii) Long Service Leave and Superannuation

The Department's liabilities for long service leave and superannuation are assumed by the Crown Entity. The agency accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities".

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 07/04) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

Department of Water and Energy
Notes to the financial statements
for the year ended Saturday, 30 June 2007

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) *Employee Benefits and other provisions (cont'd)*

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(iii) *Other Provisions*

Other provisions exist when: the agency has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(g) *Borrowing costs*

Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's mandate to general government sector agencies.

(h) *Insurance*

The Department's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

(i) *Accounting for the Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, except where:

- the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

(j) *Acquisitions of Assets*

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition (see also assets transferred as a result of an administrative restructure - Note (z)).

Fair value means the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

(k) *Capitalisation Thresholds*

Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

(l) *Revaluation of Property, Plant and Equipment*

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP 07-1). This policy adopts fair value in accordance with AASB 116 Property, Plant and Equipment and AASB 140 Investment Property. Information on investment property is separately discussed at Note 1

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Department of Water and Energy
Notes to the financial statements
for the year ended Saturday, 30 June 2007

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) *Impairment of Property, Plant and Equipment*

As a not-for-profit entity with no cash generating units, the Department is effectively exempted from AASB 136 Impairment of Assets and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

(n) *Depreciation of Property, Plant and Equipment*

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Department.

All material separately identifiable components of assets are depreciated over their shorter useful lives.

Normal useful lives for depreciable assets are as follows:

Depreciation Rates	Useful life (in years)
Property	
Building, including leasehold improvements	-
Plant & Equipment	
Computer equipment and software	25
Plant and equipment	20

(o) *Restoration Cost*

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

(p) *Maintenance*

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

(q) *Leased Assets*

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred.

Department of Water and Energy
Notes to the financial statements
for the year ended Saturday, 30 June 2007

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) *Intangible Assets*

The Department recognises intangible assets only if it is probable that future economic benefits will flow to the agency and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the agency's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Department's intangible assets are amortised using the straight line method over a period of 4 years.

(s) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the Operating Statement when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(t) *Investments*

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit and loss, transaction costs. The Department determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Fair value through profit or loss - The Department subsequently measures investments classified as "held for trading" or designated "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the Operating Statement.

Held to maturity investments - Non-derivative financial assets with fixed or determinable payments and fixed maturity that the agency has the positive intention and ability to hold to maturity are classified as "held to maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the Operating Statement when impaired, derecognised or through the amortisation process.

Available for sale investments - Any residual investments that do not fall into any other category are accounted for as available for sale investments and measured at fair value directly in equity until disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the Operating Statement. However, interest calculated using the effective interest method and dividends are recognised in the Operating Statement.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date i.e. the date the entity commits itself to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the balance sheet date.

(u) *Impairment of financial assets*

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Operating Statement.

Department of Water and Energy
Notes to the financial statements
for the year ended Saturday, 30 June 2007

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) *Impairment of financial assets (cont'd)*

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Operating Statement, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the Operating Statement.

Any reversals of impairment losses are reversed through the Operating Statement, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(v) *De-recognition of financial assets and financial liabilities*

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the agency transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where the agency has not transferred substantially all the risks and rewards, if the entity has not retained control.

Where the Department has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the agency's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(w) *Non-current Assets (or disposal group) Held For Sale*

The Department has certain non-current assets (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

The assets the Department has classified within this group are not separately shown by note as they are fully depreciated.

(x) *Investments in Joint Venture*

The Department's investment in joint ventures, the Murray-Darling Basin Commission and the Dumaresq-Barwon Border Rivers Commission is accounted for using the equity method. Under this method, the Department's share of the joint venture's accumulated results is recognised as revenue or expense in the Operating Statement, and its share of movements in reserves is recognised in the Department's reserves. Contributions made by the Department to the joint ventures are charged directly to the investment.

(y) *Other Assets*

Other assets are recognised on cost basis.

(z) *Equity Transfers*

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies are designated as a contribution by Policy and Guidelines Paper (TPP 06-7) and are recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Interpretation 1038 "*Contributions by Owners Made to Wholly Owned Public Sector Entities*".

Transfers arising from an administrative restructure between government departments are recognised at the amount at which the asset was recognised by the transferor government department immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

Department of Water and Energy
Notes to the financial statements
for the year ended Saturday, 30 June 2007

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(aa) *Payables*

These amounts represent liabilities for goods and services provided to the agency and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ab) *Borrowings*

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest method. Gains or losses are recognised in the Operating Statement on de-recognition.

(ac) *Budgeted Amounts*

In accordance with Section 45EA of the Public Finance and Audit Act 1983, the Treasurer has exempted the Department from compliance with the specific requirement to disclose the Budget figures for this financial year only.

The exemption was granted on the basis that the Department was formed after the Treasurer tabled the NSW 2006-07 Budget Papers in Parliament, and as such the NSW 2006-07 Budget Papers do not contain a budget for this Department.

(ad) *New Australian Accounting Standards issued but not effective*

At reporting date, a number of Australian Accounting Standards adopted by the Australian Accounting Standards Board have been issued but are not yet operative and have not been early adopted by the Department. NSW Treasury mandate precludes early adoption of these accounting standards.

The Department has reviewed the new accounting standards and at this stage does not anticipate any impact on the figures reported in this financial report.

2 EXPENSES EXCLUDING LOSSES

	2007 \$'000
(a) Employee related expenses	
Salaries and wages (including recreation leave)	8,384
Superannuation - defined benefit plans	1,293
Superannuation - defined contribution plans	971
Long service leave	412
Workers compensation insurance	163
Payroll tax and fringe benefit tax	860
	<u>12,083</u>

Department of Water and Energy
Notes to the financial statements
for the period 27 April to 30 June 2007

2 EXPENSES EXCLUDING LOSSES (cont'd)

2007
\$'000

(b) Other operating expenses

Auditor's remuneration - audit or review of the financial reports	161
Other administration	1,031
Computer costs	314
Consultants and contractors	1,143
Fees for services rendered	2,626
Insurance - public liability	24
Minor equipment purchases	534
Motor vehicle leasing costs	250
Postage and telephone	88
Printing	4
Stores, stationery and materials	23
Training (staff development)	26
Travel	364
Bad and doubtful debts	279
Contract payments relating to the CTWSS	97
Energy rebate scheme administration costs	106
Maintenance expenses	393
	<u>7,463</u>

** Reconciliation - Total maintenance*

Maintenance expense - contracted labour and other (non-employee related), as above	<u>393</u>
Total maintenance expenses included in Note 2(a) + 2(b)	<u>393</u>

(c) Depreciation and amortisation expenses

Depreciation	
Land and Buildings	21
Plant and Equipment	91
Infrastructure Systems	36
Total Depreciation	<u>148</u>
Amortisation of intangible assets	
Leasehold improvements	24
Computer Software	58
Total Amortisation	<u>230</u>

(d) Grants and subsidies

Alternative funding subsidy	188
Country Towns Water Supply and Sewerage	11,500
Life support rebates	448
Solar rebates	375
Pensioner energy rebates	12,667
Energy Accounts payment assistance	1,289
Other	9,479
Water & Sewerage Assistance to Sydney Water	21,423
Water & Sewerage Assistance to Hunter Water	2,697
Subsidy - Dams Safety Committee	200
	<u>60,266</u>

(e) Finance costs

Interest	<u>45</u>
	<u>45</u>

Department of Water and Energy
Notes to the financial statements
for the period 27 April to 30 June 2007

3 REVENUES

2007
\$'000

(a) Rendering of services

Fees for services	5,114
Pipeline search fees	44
Income from water operations	3,045
Renewable Energy services	1
	<u>8,204</u>

(b) Investment revenue

Interest	1,330
Sustainable Energy Research Development Fund SERDF	168
	<u>1,498</u>

(c) Grants and contributions

Contributions to CTWSS	1,679
Australian Greenhouse Office contributions	2,321
Other	(35)
	<u>3,965</u>

(d) Other revenue

Other	(189)
Recoveries	1,640
	<u>1,451</u>

4 GAIN / (LOSS) ON DISPOSAL**Gain / (loss) on disposal of plant and equipment**

Proceeds from disposal	-
Written down value of assets disposed	(34)
Net gain / (loss) on disposal of plant and equipment	<u>(34)</u>

5 APPROPRIATIONS**Recurrent appropriations**

Total recurrent drawdowns from Treasury (per Summary of Compliance)	83,593
Less: Liability to Consolidated Fund (per Summary of Compliance)	3,036
	<u>80,557</u>

Comprising:

Recurrent appropriations (per Operating Statement)	72,707
Transfer payments	7,850
	<u>80,557</u>

Department of Water and Energy
Notes to the financial statements
for the period 27 April to 30 June 2007

5 APPROPRIATIONS (cont'd)

2007
\$'000

Capital appropriations

Total capital drawdowns from Treasury (per Summary of Compliance)

2,942

Less: Liability to Consolidated Fund (per Summary of Compliance)

965

1,977

Comprising:

Capital appropriations (per Operating Statement)

1,9771,977**6 ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES**

The following liabilities and / or expenses have been assumed by the Crown Entity or other government agencies:

Superannuation

1,280

Long Service Leave

433

Payroll tax

281,741**7 TRANSFER PAYMENTS**

Contribution to State Water

7,8507,850**8 PROGRAMS / ACTIVITIES OF THE DEPARTMENT****(a) Program 1 - Water and Energy Policy and Program Delivery - Urban Water**

Objective: To promote the affordable, efficient, safe and reliable supply and use of urban water.

(b) Program 2 - Water and Energy Policy and Program Delivery - Rural Water

Objective: To promote the sustainable allocation of rural water resources among industry, utilities, communities and the environment.

(c) Program 3 - Water and Energy Policy and Program Delivery - Energy

Objective: To promote the affordable, efficient, safe and reliable supply and use of energy.

The majority of functions of the former Department of Energy, Utilities and Sustainability, water-related functions of the former Department of Natural Resources and the Metropolitan Water Directorate from the former NSW Cabinet Office were transferred to the Department of Water and Energy (DWE) effective from 27 April 2007 following the revised administrative arrangements outlined in the Public Sector Employment and Management (General) Order 2007.

Expenses and revenues attributed to DWE and reported in the Operating Statement relate to the period 27 April 2007 to 30 June 2007. Expenses and revenues relating to the respective components of the former Departments for the period from 1 July 2006 to 26 April 2007 and which could be attributed to DWE are shown for comparative purposes.

Department of Water and Energy
Notes to the financial statements
for the period 27 April to 30 June 2007

	Dept of Energy, Utilities and Sustainability (from 1 July 2006 to 26 April 2007)	Dept of Natural Resources (from 1 July 2006 to 26 April 2007)	The Cabinet Office (from 1 July 2006 to 26 April 2007)	Department of Water and Energy (from 27 April to 30 June 2007)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses					
Operating expenses					
Employee related	11,375	35,983	897	12,083	60,338
Other operating expenses	13,389	13,089	2,581	7,463	36,522
Depreciation and amortisation	318	38	4	230	590
Grants and Subsidies	173,563	17,566	189	60,266	251,584
Finance costs	0	0	0	45	45
Total expenses excluding losses	<u>198,645</u>	<u>66,676</u>	<u>3,671</u>	<u>80,087</u>	<u>349,079</u>
Retained Revenue					
Sale of goods and services	1,145	26,533	0	8,204	35,882
Investment income	3,397	212	10	1,498	5,117
Grants and contributions	1,246	208	3,299	3,965	8,718
Other revenue	15,966	4,725	0	1,451	22,142
Total Retained Revenue	<u>21,754</u>	<u>31,678</u>	<u>3,309</u>	<u>15,118</u>	<u>71,859</u>
Gain / (loss) on disposal	(33)	0	0	(34)	(67)
Share of operating result of Joint Ventures accounted for under the equity accounting method	0	(16,126)	0	(5,647)	(21,773)
Net Cost of Services	<u>176,924</u>	<u>51,124</u>	<u>362</u>	<u>70,650</u>	<u>299,060</u>

9 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

2007
\$'000

Cash at bank and on hand	<u>54,767</u>
	<u>54,767</u>

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash at bank, cash on hand, short term deposits and bank overdraft.

Cash and cash equivalent assets recognised in the balance sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:

Cash and cash equivalents (per Balance Sheet)	<u>54,767</u>
Closing cash and cash equivalents (per Cash Flow Statement)	<u>54,767</u>

Department of Water and Energy
Notes to the financial statements
for the period 27 April to 30 June 2007

10 CURRENT ASSETS - RECEIVABLES

	2007 \$'000
Sundry debtors	29,783
Goods and Services Tax recoverable from ATO	4,131
Accrued income	21,886
Interest receivable	2,094
Less: Allowance for Impairment	<u>377</u>
	<u>57,517</u>

11 CURRENT / NON-CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE**Current****Financial assets available for sale**

Shares	<u>90</u>
	<u>90</u>

12 CURRENT / NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS**Current**

Other loans and deposits	50
Backlog sewerage loans	<u>134</u>
	<u>184</u>

Non-current

Other loans and deposits	3,886
Less: Diminution of value of loans and deposits	(1,893)
Backlog sewerage loans	<u>1,501</u>
	<u>3,494</u>

Department of Water and Energy
Notes to the financial statements
for the period 27 April to 30 June 2007

13 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Total \$'000
At 30 June 2007				
At Fair Value	21,093	4,575	27,001	52,669
Less: Accumulated depreciation	(302)	(1,426)	(929)	(2,657)
Net carrying amount	<u>20,791</u>	<u>3,149</u>	<u>26,072</u>	<u>50,012</u>

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.

	Land and Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Total \$'000
Period ended 30 June 2007				
Net carrying amount transferred in at 27 April	20,398	2,856	27,596	50,850
Additions	231	359	-	590
Depreciation expense	(21)	(115)	(36)	(172)
Other	183	49	(1,488)	(1,256)
Net carrying amount at end of period	<u>20,791</u>	<u>3,149</u>	<u>26,072</u>	<u>50,012</u>

Net carrying amount includes \$75,438 in buildings and \$2,702,421 in infrastructure systems for assets in the course of construction.

14 NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Software \$'000
At 30 June 2007	
Cost (gross carrying amount)	5,188
Accumulated amortisation and impairment	<u>(652)</u>
Net carrying amount	<u>4,536</u>
Year ended 30 June 2007	
Net carrying amount transferred in at 27 April	3,996
Additions	633
Amortisation (recognised in depreciation and amortisation)	(58)
Other	<u>(35)</u>
Net carrying amount at end of year	<u>4,536</u>

Department of Water and Energy
Notes to the financial statements
for the period 27 April to 30 June 2007

15 RESTRICTED ASSETS

Restricted net assets relate to unspent funds associated with Australian Greenhouse Office Solar Rebate grants, the Sustainable Energy Research Development Fund.

2007
\$'000

Current

Australian Greenhouse Office	2,381
Sustainable Energy Research Development Fund	<u>386</u>
	<u>2,767</u>

16 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD**Non-current Investments accounted for under the equity method**

MDBC asset	614,917
DBBRC asset	<u>36,304</u>
	<u>651,221</u>

(a) Joint venture entity: Murray-Darling Basin Commission 614,917

The Murray-Darling Basin Commission is the executive arm of the Murray-Darling Basin Ministerial Council and is responsible for managing the River Murray and the Menindee Lakes system of the lower Darling River, and for advising the Ministerial Council on the use of the water, land and other environmental resources of the Murray-Darling Basin.

Ownership interest: 26.67%

Murray-Darling Basin Commission reporting date: 30 June

\$'000

Net assets (audited) as at 30 June 2006	2,203,241
Estimated net assets as at 27 April 2007	2,288,587
Net assets (unaudited) as at 30 June 2007	2,305,657

Summarised financial information as at 30 June 2007

Balance Sheet**Assets**

Current Assets

Cash and cash equivalents	535,567
Receivables	8,956
Other assets	824

Non-current Assets

Infrastructure assets	1,765,078
Property, plant and equipment	9,426
Intangibles	6,576
Investment in joint venture entity	1,040
Other	<u>1,733</u>

2,329,368

Liabilities

Payables	20,107
Employee provisions	2,323
Non-Interest bearing liabilities	<u>1,281</u>

23,711

Net Assets

2,305,657

Operating Statement for the year ended 30 June 2006

Revenues	131,289
Expenses	<u>110,713</u>
	20,576
Share of operating deficit from joint venture	<u>(3,246)</u>

Department of Water and Energy
Notes to the financial statements
for the period 27 April to 30 June 2007

Surplus for the year	<u>17,330</u>
Aggregate asset revaluation increment for the financial year	<u>80,655</u>
Share of Operating surplus (being the period from 27 April 2007 to 30 June 2007) of joint venture	968
Contribution for the period 27 April 2007 to 30 June 2007	(6,583)
Net Result	(5,615)
(b) Joint venture entity: Dumaresq-Barwon Border Rivers Commission	<u>36,304</u>

The Dumaresq-Barwon Borders Rivers Commission is established by the New South Wales-Queensland Border Rivers Agreement and is responsible for sharing the waters of the rivers and streams which either form or intersect the boundary between the two States and the associated groundwater resources. The Commission undertakes the investigation, construction and operation of works to conserve and regulate those waters where considered desirable.

Ownership interest:	50.00%
Dumaresq-Barwon Border Rivers Commission reporting date:	30 June
Dumaresq-Barwon Border Rivers Commission	\$'000
Net assets (audited) as at 30 June 2006	68,271
Estimated net assets as at 27 April 2007	71,885
Net assets (unaudited) as at 30 June 2007	72,608

Summarised financial information as at 30 June 2007

Balance Sheet

Assets

Current Assets	
Cash & cash equivalents	2,053
Receivables	2,316
Non current assets	
Property, plant & equipment	<u>68,699</u>
	73,068

Liabilities

Current liabilities	
Payables	459

Net Assets

72,608

Operating Statement for the year ended 30 June 2006

Revenue	2,315
Expenses	<u>2,705</u>
Loss for the year	<u>390</u>

Aggregate asset revaluation increment for the financial year	<u>4,728</u>
Share of Operating loss (being the period from 27 April 2007 to 30 June 2007) of joint venture	(32)
Contribution for the period 27 April 2007 to 30 June 2007	-
Net Result	(32)

Department of Water and Energy
Notes to the financial statements
for the period 27 April to 30 June 2007

17 PAYABLES

	2007 \$'000
Accrued salaries, wages and on-costs	51
Creditors	1,825
Accruals	20,899
Other	<u>869</u>
	<u>23,644</u>

18 CURRENT / NON-CURRENT LIABILITIES - BORROWINGS**Current**

Backlog Sewerage Loan	<u>129</u>
	<u>129</u>

Non-current

Backlog Sewerage Loan	<u>1,555</u>
	<u>1,555</u>

Repayment of Borrowings

(excluding finance leases)

Not later than one year	129
Between one and five years	865
Later than five years	<u>690</u>
Total borrowings at face value (excluding finance leases)	<u>1,684</u>

19 CURRENT / NON-CURRENT LIABILITIES - PROVISIONS**Current****Employee benefits and related on-costs**

Recreation leave	7,761
Oncosts	<u>636</u>
	<u>8,397</u>
	<u>8,397</u>

Non-current**Employee benefits and related on-costs**

Oncosts	256
---------	-----

Non-current**Other**

Restoration costs	<u>267</u>
	<u>267</u>
	<u>523</u>

Department of Water and Energy
Notes to the financial statements
for the period 27 April to 30 June 2007

20 CURRENT / NON-CURRENT LIABILITIES – OTHER

2007
\$'000

Current

Liability owing to Consolidated Fund	4,001
Liability to Country Towns Water Supply and Sewerage Scheme	<u>9,749</u>
	<u>13,750</u>

(The Department may not have complied fully with S23 of the Public Finance and Audit Act in respect of this item)

21 CHANGES IN EQUITY

	Accumulated Funds 2007 \$'000	Asset Revaluation Reserve 2007 \$'000	Other Reserves 2007 \$'000	Total Equity 2007 \$'000
Balance at the beginning of the year	-	-	-	-
Changes in equity - transactions with owners as owners				
Increase / (decrease) in net assets from equity transfers	<u>588,545</u>	<u>175,459</u>	<u>-</u>	<u>764,004</u>
Total	588,545	175,459	-	764,004
Changes in equity - other than transactions with owners as owners				
Surplus / (deficit) for the year	5,775	-	-	5,775
Increment / (decrement) on revaluation of NCAs				
Financial assets held for sale	-	-	65	65
Investments accounted for under the equity method	<u>-</u>	<u>3,979</u>	<u>-</u>	<u>3,979</u>
Total	<u>5,775</u>	<u>3,979</u>	<u>65</u>	<u>9,819</u>
Balance at the end of the financial period	<u>594,320</u>	<u>179,438</u>	<u>65</u>	<u>773,823</u>

22 INCREASE / DECREASE IN NET ASSETS FROM EQUITY TRANSFERS**Assets transferred in from the Department of Energy, Utilities and Sustainability**

Cash	33,036
Financial Assets	3,932
Receivables	15,960
Plant and equipment	981

Assets transferred in from the Department of Natural Resources

Cash	5,415
Receivables	49,525
Plant and equipment	50,023
Intangibles	3,843
Investments accounted for under the equity method	646,308

Assets transferred in from The Cabinet Office

Cash	574
Receivables	<u>322</u>
Net Assets Transferred	<u>809,919</u>

Department of Water and Energy
Notes to the financial statements
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Liabilities transferred in from the Department of Energy, Utilities and Sustainability	
Payables	(30,204)
Employee entitlements	(2,235)
Other provisions	(1,652)
Liabilities transferred in from the Department of Natural Resources	
Payables	(5,778)
Employee Entitlements	(5,941)
Liabilities transferred in from The Cabinet Office	
Employee Entitlements	(105)
Net Liabilities Transferred	<u>(45,915)</u>
Total Increase / (Decrease) in Net Assets	<u>764,004</u>

The transfer of Payments for Water and Sewerage Assistance (PWSA) did not result in any change in net assets to the Department.

23 COMMITMENTS FOR EXPENDITURE

2007
\$'000

(a) Other Expenditure Commitments

Aggregate other expenditure contracted for at balance date and not provided for:

Not later than one year	45,407
Later than one year and not later than five years	5,500
Total (including GST)	<u>50,907</u>

(b) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable

Not later than one year	5,140
Later than one year and not later than five years	13,236
Total (including GST)	<u>18,376</u>

Commitments above include input tax credits of \$6,298,446 that are expected to be recovered from the Australian Taxation Office (ATO).

24 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Department does not have any contingent liabilities or contingent assets.

Department of Water and Energy
Notes to the financial statements
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25 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

2007
\$'000

Net cash used on operating activities	20,702
Cash flows from Government / Appropriations	(76,489)
Acceptance by the Crown Entity of employee benefits and other liabilities	(1,741)
Depreciation	(230)
Decrease / (increase) in provisions and other liabilities	(24,354)
Increase / (decrease) in prepayments and other assets	3,768
Increase / (decrease) in receivables	57,517
Net transfers	-
Decrease / (increase) in payables	(23,644)
Other - adjustment for equity opening balance	(26,145)
Net loss / (gain) on sale of plant and equipment	(34)
Net cost of services	<u>(70,650)</u>

26 ADMINISTERED ASSETS AND LIABILITIES

Administered activities are defined as those activities that are carried out on behalf of the Crown Entity. These monies are excluded from the Financial Statement as the Department cannot use them to achieve its objectives.

Administered Revenue

Pipeline Licences	<u>546</u>
Total Administered Revenue	<u>546</u>

27 FINANCIAL INSTRUMENTS

Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate adjusted for a management fee to Treasury. The TCorp Hour Glass cash facility is discussed below

Cash and interest rate risk

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted Average Effective interest Rate
	2007 \$'000	2007 \$'000	2007 \$'000	2007 %
Financial Assets				
Cash	54,766	-	54,766	5.25
Receivables	-	39,369	39,369	
Shares	-	90	90	
Loans	<u>3,678</u>	<u>-</u>	<u>3,678</u>	6.92
Total financial assets	58,444	39,459	97,903	
Financial Liabilities				
Borrowings -				
Backlog Sewerage	1,684	-	1,684	10.05
Accounts Payable	-	23,555	23,555	N.a
Other	<u>-</u>	<u>14,050</u>	<u>14,050</u>	N/a
Total financial liabilities	1,684	37,605	39,289	

Department of Water and Energy
Notes to the financial statements
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Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. The credit risk is the carrying amount (net of any allowance for impairment). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 day terms.

Bank Overdraft

The Department does not have any bank overdraft facility.

Trade Creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. There was no penalty interest paid during the year.

Fair Value

Financial instruments are carried at (amortised) cost.

However, the fair value of the other classes of financial instruments approximates their carrying value.

28 AFTER BALANCE DATE EVENTS

There are no events subsequent to balance date which affect the financial report.

End of audited financial statements.

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Part 4

Appendices

Appendices

APPENDIX 1

Senior executive service officers

Table A1.1 Total numbers of SES offices

SES Level	At 30 June 2007	
	Male	Female
8		
7	1	
6	2	
5		
4	1	1
3	1	
2	1	
1		
Totals	6	1

As DWE was established as a new organisation on 27 April 2007, comparable figures for the previous reporting years do not exist.

SES Officers Grade 5 and above (at 30 June 2007)

Remuneration and Performance

Name: Mr Mark Duffy

Position and Level: Director-General, SES Level 7

Period in position: 27 April 2007–30 June 2007

Total Remuneration Package: \$305,000 plus \$27,000 recruitment allowance

At 30 June 2007 Mr Duffy's Performance Agreement was still being developed.

Name: David Harriss

Position and Level: Deputy Director-General, Water Management, SES Level 6

Period in position: 27 April 2007–30 June 2007

Total Remuneration Package: \$278,000

At 30 June 2007 Mr Harriss's Performance Agreement was still being developed.

Name: Steve Dunn

Position and Level: Executive Director, Compliance Licensing and Corporate Services, SES Level 6

Period in position: 27 April 2007–30 June 2007

Total Remuneration Package: \$262,652

At 30 June 2007 Mr Dunn's Performance Agreement was still being developed.

APPENDIX 2

Publications

All the Department's policy documents are published in the *Government Gazette* every 6 months in the Summary of Affairs as required under section 14(3) of the *Freedom of Information Act 1989*. The Department's June 2007 Summary of Affairs is available on the website.

During the reporting period, the Department published the following list of documents relevant to DWE's current activities, either as DWE or as DNR, DEUS or The Cabinet Office, its forerunner Departments.

Table A2.1 Publications

Publication	Date
Department of Natural Resources Corporate Plan 2006-2009	Jul 06
Department of Natural Resources Annual Report 2005-06	Nov 06
Water Management	
Great Artesian Basin Sustainability Index – Cap & Pipe the Bores	Nov 06
Naturally Speaking Newsletter Issue 6	Jul 06
Naturally Speaking Newsletter Issue 7	Sep 06
Naturally Speaking Newsletter Issue 8	Jan 07
Naturally Speaking Newsletter Issue 9	Mar 07
Managing groundwater use in the Botany area	Sep 06
Water management factsheets	Oct 06
■ Guide to water access licence certificates and searches	Oct 06
■ Application fees for water licences and water transfers under the Water Act 1912	Nov 06
■ What are rural landholders' basic rights to water?	Nov 06
■ Water for my rural property - do I require a licence?	Nov 06
■ How much water do I need for my rural property?	Dec 06
■ Accessing bore water/groundwater	Nov 06
■ Applying for a new water access licence	Nov 06
■ Registering water access licences	Nov 06
■ Your water access licence and certificate	Nov 06
Review of Water Management Act 2000 In support of Section 404 of the Act	Dec 06
Review and assessment of Hydrologic/Hydraulic Flood Study Models	Dec 06
River Styles in the Hunter Catchment	Feb 07
Soils report for Koondrook-Perricoota Forest hydraulic modelling – Soil survey, data provision, soils map and soil testing	Sep 06
Regulatory compliance audits	Jan 07
Feasibility assessment of the potential water saving opportunities for the small irrigation districts/group licences within NSW - Preliminary scoping study. June 2006	Jan 07
Managing the health of our rivers -Shoalhaven River environmental flows	Mar 07
Shoalhaven Water Supply Transfers and Environmental Flows - Discussion Paper	Aug 06

Publication	Date
Determining and managing environmental flows for the Shoalhaven River. Report 1 - Environmental Flows Knowledge Review	May 06
Determining and managing environmental flows for the Shoalhaven River. Report 2 - Environmental Flows Investigations	Aug 06
Water use or water supply works approvals under the Water Management Act 2000	Feb 07
Domestic and stock groundwater works approvals under the Water Management Act 2000	Feb 07
Water Industry Competition Act 2006, Regulations Consultation Paper, June 2007	Jun 07
Critical water planning announcements ■ Murray Valley – Issue 1, 15 May 2007 ■ Murrumbidgee Valley – Issue 1, 15 May 2007 ■ Murray Valley – Issue 2, 1 June 2007 ■ Murrumbidgee Valley – Issue 2, 1 June 2007 ■ Lower Darling – Issue 1, 15 June 2007 ■ Murray Valley – Issue 3, 15 June 2007 ■ Murrumbidgee Valley – Issue 3, 15 June 2007	As dated
Macro water sharing plans - Information for Aboriginal water users	Aug 06
Water for Life fact sheets series: ■ Water for Life Education Program ■ Ethnic Communities 'Home Water Action' Project ■ Greenhome Water and 18-35 Yr Olds Project ■ Resources and Professional Development for Teachers Project ■ Water Efficiency for the Property Sector Project	Jun 07
Water Utilities	
2004/05 NSW Water Supply and Sewerage Performance Monitoring Report	Apr 2006
NSW Code of Practice Plumbing and Drainage	Aug 2006
Drought Relief for Country Towns	Oct 2006
NSW Guidelines for Greywater Reuse in Sewered, Single Household Residential Premises	Mar 2007
Water Industry Competition Act 2006 Regulations Consultation Paper	Jun 2006
Energy supply and use	
Extending the NSW Greenhouse Gas Abatement Scheme - Policy Paper	Oct 2006
Installation Rules of New South Wales - The electricity industry standard of best practice for customer connection services and installations.	Oct 2006
NSW Renewable Energy Target - Explanatory Paper	Nov 2006

In addition, Departmental staff published a number of papers for conferences and technical journals.

Information was also published on the internet corporate websites:

www.naturalresources.nsw.gov.au and www.deus.nsw.gov.au

APPENDIX 3

Overseas visits

Table A3.1 Overseas visits

Name	Title	Country Visited	Purpose	Funded from
Christine Hill	Program Manager	New Zealand	Presented paper at Australian Agricultural and Resource Economics Society (AARES) Conference - Feb 2007	TOOLS2 project (NHT/NAP)
Brett McCulloch	Natural Resource Project Officer	New Zealand	Oral presentation to 6th International Symposium on Ecohydraulics - Feb 2007	Part DWE (DNR)

APPENDIX 4

Significant committees

The following information is provided as at 30 June 2007 unless otherwise noted.

(1) Departmental representation on external committees, boards and statutory bodies

Senior staff represent the Department on a number of committees that help integrate the outcomes and activities of NSW and other Government agencies.

Table A4.1 Representation on external committees, boards and statutory bodies

Name of Committee/ Board/Body	Function	DWE representatives
National Natural Resource Management Standing Committee	The agency CEO group which implements the decisions of the National Natural Resource Management Ministerial Council	M Duffy
Murray–Darling Basin Commission (MDBC)	The primary body responsible for providing policy and direction for implementing the Murray–Darling Basin Initiative.	M Duffy (Commissioner) D Harriss (Deputy Commissioner)
Chief Executive Officers Committee	A committee of all CEOs of NSW Government agencies provides policy advice to Government	M Duffy
Natural Resources and Environment CEO Cluster Group	Coordinates NSW natural resource and environment agency activities	M Duffy
Water CEOs -subcommittee of NR&E Cluster Group	Coordinates specific water management initiatives of the Cluster Group	M Duffy D Harriss
National Water Initiative Senior Officers Group	Interstate coordination of national water agenda	D Harriss
Great Artesian Basin Advisory Council	Interstate management and policy development for the GAB	G Gates
Metropolitan Water CEOs Committee	To support the Cabinet Committee in implementing the Metropolitan Water Plan	M Duffy
Natural Resources Advisory Council	Advises the NSW Government on natural resource issues. Membership is representative, not expert based.	M Duffy
Ministerial Council on Energy's Standing Committee of Officials	To support the Ministerial Council on Energy	M Duffy
Sustainability in Government CEOs Group	Sustainability issues for government agencies	M Duffy
Metropolitan CEOs Group	Sydney metropolitan issues for agencies	M Duffy
Dumaresq-Barwon Border Rivers Commission	Advise on inter-state water sharing arrangements	P Christmas (Deputy Commissioner)

Name of Committee/ Board/Body	Function	DWE representatives
Drought Water (Interdepartmental) Committee	To monitor and advise the Premier on all aspects of the status and impacts of the drought	S Palmer
Cross Agency Group on Water Industry Structure	To develop general Regulations under the <i>Water Industry Competition Act 2006</i>	K Smith
Water Efficiency Labelling and Standards Advisory Committee	Oversee the implementation of the WELS Scheme and advise the national regulator	H Wesseling
Department of Local Government -Accounting Advisory Group and NSW Infrastructure Task Force	Provide advice on accounting and financial management for NSW councils and Develop a nationally consistent approach to infrastructure management, financial reporting and sustainability for NSW councils	S Samra
National Water Commission Steering Groups - National Performance Reporting and Water Charges	Develop and maintain a National Performance Framework for nationally consistent reporting of urban water utilities performance and Facilitate best-practice water pricing	S Samra
Fluoridation of Public Water Supplies (Act) Advisory Committee	Advise and make recommendations relating to the Act	B Ho
Inquiry into Electricity Supply in NSW – Steering Committee	Coordination and governance of the Inquiry	M Duffy L Baumgartner
National Gas Emergency Response Advisory Committee	Monitor and advise Ministers on inter-jurisdictional natural gas supply disruptions	A Amey
Electrical Regulatory Authorities Council	Liaison between the technical and safety electrical regulatory authorities of eight Australian States/Territories and New Zealand	P Grant
Standards Australia Committee EL-052 Electrical Energy Networks, Construction and Operation	Development of Australian Standards in the field of safe design, construction, maintenance and operation of electricity transmission and distribution networks	P Grant
National Emissions Trading Taskforce	To develop a possible design for a national emissions trading scheme for greenhouse gases	D Hemming
Greenhouse Network	To develop policies and programs to implement the initiatives identified in the NSW Greenhouse Plan	D Hemming
Large User Abatement Certificates Working Group	To advise on mechanisms to amend the Large User Abatement Rule under the NSW Greenhouse Gas Reduction Scheme (GGAS) to make it more effective	L Baumgartner D Hemming
National Oil Supplies Emergency Committee	To formulate an overall management response to a widespread liquid fuels supply emergency	R Grimes
State Emergency Management Committee	Responsible for emergency management planning at State level	R Grimes

(2) Committees with external membership established to advise the Ministers and/or Department

These bodies ensure the policy development and operations of the Department include community and stakeholder input.

Table A4.2 Representation on advisory committees

Name of Committee	Function	DWE Member/s
Ministerial Advisory Council on Water	To advise the Minister on the impacts of the drought	D Harriss
Department of Water & Energy/ Local Government and Shires Associations Liaison Committee	Liaison, information sharing, dispute resolution and other matters related to local water utility water supply and sewerage services.	C McLean (Chair) K Iffland (Secretary)
Country Towns Water Supply and Sewerage Program - Interdepartmental Prioritisation Committee	To advise on Program priorities	C McLean (Chair)
Committee on Uniformity of Plumbing and Drainage Regulation in NSW (CUPDR)	Liaison, information sharing, preparation of CUPDR guidelines, the Code of Practice Plumbing and Drainage and other matters relating to plumbing and drainage services.	A Langdon (Chair) L Hill

NSW Electricity Supply Industry Safety Steering Committee (ISSC)	To identify opportunities to improve electricity network safety in order to eliminate or minimise exposure of people and property to the risk of injury or damage from electricity network hazards.	M Overy (Chair) P Grant (Deputy Chair) R Smith (Secretary)
Energy Accounts Payment Assistance (EAPA) Working Group	A consultation, discussion and reference group for the Energy Accounts Payment Assistance Scheme (EAPA).	G Hodson (Chair) R Blacklock (Secretary) M Sahore
Utility Concessions Steering Group	Established by the Cabinet Standing Committee on Energy to coordinate social policy and advise the Government on energy and water concessions.	G Hodson (Chair) M Sahore (Secretary)
Consumer Representative Consultative Committee	To consult with consumer representatives about current energy and water issues in NSW and nationally.	J Finn (Chair)
Greenhouse Gas Abatement Scheme Review Interdepartmental Committee	Assist the Department to progress the Greenhouse Gas Abatement Scheme Review.	T Prasad K Staggs
Greenhouse Gas Abatement Scheme Review Consultation Panel	Provide forum for key stakeholders to input directly into the Greenhouse Gas Abatement Scheme Review process.	T Aldrich (Secretariat) D Hemming K Tarlo
Inter-Departmental Committee on the North Rhein-Westphalia Memorandum of Understanding	To implement the Memorandum of Understanding concerning collaboration in the areas of power plant technologies, renewable energies, demand side management and energy efficiency between the State of Nordrhein-Westfalen and the Australian States of Queensland and NSW.	D Hemming (Chair) A Burnard
Steering Committee for collaborative research project	Guidance on "Climate change and its impacts on water supply and demand in Sydney"	M Bennett (Chair) J Gibbs
GGAS-NETS Transition Working Group	To provide advice to Government on a plan for a transition from the Greenhouse Gas Reduction Scheme to a national emissions trading scheme.	L Baumgartner (Chair) D Hemming K Tarlo C Webber (Secretary)

(3) Internal Departmental Committees

The following committees were established in November 2007

Table A4.3 Membership of internal Departmental committees

Name of Committee	Function	Member/s
Executive Management Committee	The Department's strategic advisory and decision-making forum.	Director General (Chair), DDs-G, Executive Directors
Audit and Risk Committee	Advice, reports and recommendations to Executive Management Committee	Nominated Executive member and specialists
Budget and Finance Committee	Advice, reports and recommendations to Executive Management Committee	Nominated Executive member and specialists
People and Performance Committee	Advice, reports and recommendations to Executive Management Committee	Nominated Executive member and specialists

(4) Significant committees abolished or transferred to other departments in 2006–07

In the restructure of Government agencies in April 2007 a number of committees may have been rationalised, abolished or transferred to other agencies.

APPENDIX 5

Legislation and significant judicial decisions

Changes to Acts

The *Pipelines Amendment Act 2006* received assent on 31 May 2006 and commenced on 15 September 2006. This Act amends the *Pipelines Act 1967* to streamline and simplify approvals for the construction of pipelines.

The *Electricity Supply Act 1995* was amended on 8 December 2006 to extend the Greenhouse Gas Abatement Scheme to 2020 and beyond unless and until a national emissions trading scheme is earlier established. Other miscellaneous amendments to the Scheme were also made.

The *Central Coast Water Corporation Act* received assent on 27 November 2006. It has not yet commenced as Gosford and Wyong Councils are yet to pass a resolution for the establishment of the Central Coast Water Corporation.

The *Water Industry Competition Act* received assent on 27 November 2006. The Act establishes a third-party access regime for water and sewerage services and a licensing regime for private sector water and sewerage service providers.

Changes to Regulations

Water Management (General) Regulation 2004

This Regulation was amended by the following regulations:

Water Management (General) Amendment (Approvals) Regulation 2006 (published in the gazette on 23 August 2006 and commenced on 30 June 2006) in relation to extending the operation of replacement approvals under the *Water Management Act 2000* to three years after they were taken to have replaced *Water Act 1912* entitlements.

Water Management (General) Amendment Regulation 2006 (commenced on 1 October 2006) in relation to is to modifying the provisions of Schedule 10 to the *Water Management Act 2000* (Conversion of former entitlements to access licences and approvals) in relation to the access licences that arise under that Schedule as a consequence of a proclamation under section 55A of that Act that extends the operation of

Part 2 of Chapter 3 of that Act to the following water sources:

- (a) the Lower Gwydir Groundwater Source,
- (b) the Lower Macquarie Groundwater Sources,
- (c) the Lower Murrumbidgee Groundwater Sources.

Water Management (General) Amendment (Lower Murray) Regulation 2006 (commenced on 1 November 2006) in relation to is to modifying the provisions of Schedule 10 to the *Water Management Act 2000* (Conversion of former entitlements to access licences and approvals) in relation to the access licences that arise under that Schedule as a consequence of a proclamation under section 55A of that Act that extends the operation of Part 2 of Chapter 3 of that Act to the Lower Murray Groundwater Source.

Water Management (General) Amendment (Upper and Lower Namoi) Regulation 2006 (commenced on 1 November 2006) in relation to modifying the provisions of Schedule 10 to the *Water Management Act 2000* (Conversion of former entitlements to access licences and approvals) in relation to the access licences that arise under that Schedule as a consequence of a proclamation under section 55A of that Act that extends the operation of Part 2 of Chapter 3 of that Act to the Upper and Lower Namoi Groundwater Sources.

Water Management (General) Amendment (Anabranch Water) Regulation 2006 (commenced on 24 November 2006) in relation to section 159 which provides that if a private irrigation board serves a notice in writing on the landholder of any lands on which is situated any water supply work on an authorised site informing the landholder that the board proposes to take over the work, the control and management of the work specified in the notice vests in the private irrigation board. Section 159 (3) provides that a private irrigation board must not serve such a notice after the expiration of 12 months after the constitution of the private irrigation district. This Regulation exempts the private irrigation board Anabranch Water from the operation of section 159 (3) until 30 June 2008.

Water Management (General) Amendment (Paterson) Regulation 2007 (commenced on 1 July 2007) in relation to the supplementary water access licences arising from the commencement of the *Water Sharing Plan for the Paterson Regulated River Water Source 2007*.

Water Management (General) Amendment (Registration of Security Interests) Regulation 2007 (commenced on 29 June 2006) in relation to:

- extending from 36 months to 48 months, the time within which security interests in relation to certain access licences can be registered without losing their former priority in relation to other security interests; and
- transferring a couple of the Regulations clauses to more appropriate locations.

Water Sharing Plans

The following Water Sharing Plans commenced this year:

- *Water Sharing Plan for the Lower Gwydir Groundwater Source 2003* commenced on 1 October 2006.
- *Water Sharing Plan for the Lower Macquarie Groundwater Sources 2003* commenced on 1 October 2006.
- *Water Sharing Plan for the Lower Murrumbidgee Groundwater Sources 2003* commenced on 1 October 2006.
- *Water Sharing Plan for the Lower Murray Groundwater Source 2006* commenced on 1 November 2006 (gazetted 20 October 2006).
- *Water Sharing Plan for the Upper and Lower Naomi Groundwater Source 2006* commenced on 1 November 2006.

In addition the *Water Sharing Plan for the Paterson Regulated River Water Source 2007* was gazetted on 26 June 2007 and commenced on 1 July 2007.

These plans include rules for protecting the environment, extractions, managing licence holder's water accounts and water trading.

Other regulations

On 1 September 2006, the *Energy and Utilities Administration Regulation 2006* replaced the *Energy and Utilities Administration Regulation 1999*. This Regulation covers electrical product energy labelling and minimum energy performance standards.

On 8 December 2006 the *Electricity Supply (General) Regulation 2001* was amended as a consequence of the legislative changes made to the Greenhouse Gas Abatement Scheme.

On 15 January 2007, the *Electricity Supply (General) Regulation 2001* was amended to require retail suppliers of electricity to make offers to residential customers that the equivalent of a minimum of 10 per cent of electricity supplied to the customer will be obtained from accredited renewable energy sources.

On 2 March 2007 the *Electricity Supply (General) Regulation 2001* was amended to extend the Independent Pricing and Regulatory Tribunal's power to regulate retail electricity prices.

On 30 March 2007, the Regulation was amended by the *Energy and Utilities Administration Amendment (Clothes Washing Machines and Dishwashers) Regulation 2006* which updated the Australian and New Zealand energy performance standards applicable to clothes washing machines and dishwashers.

On 29 June 2007 amendments were gazetted to the *Electricity Supply (General) Regulation* and the *Gas Supply (Natural Gas Retail Competition) Regulation 2001* to strengthen disconnection procedures and reduce red tape for entering into retail energy contracts. The amendments commenced on 1 July 2007.

Significant judicial decisions

There were no significant judicial decisions for DWE and its administration of legislative responsibilities during the reporting period.

APPENDIX 6

Consultants engaged

Consultancies \$30,000 or greater

Table A6.1 Consultancies

Category	Consultant	Title / Nature	Cost (\$)
Engineering	SMEC Australia Pty Ltd	Salt Interception – Pipeline and infrastructure design	64,891
Environmental	Maunsell Australia Pty Ltd	Darling River Water Saving Project – to define the best way to secure substantial water savings in the Darling River system.	384,528
Environmental	University of NSW	Shoalhaven Environmental Flows – Flow salinity estuary modelling	81,195
Environmental	NSW Department of Commerce	Living Murray Program – Feasibility options for Environmental watering of icon sites	48,357
Legal	Gilbert & Tobin Lawyers	Regulations under the Water Industry Competition Act – Professional advice	61,841
Technical	Parsons Brinckerhoff Australia Pty Ltd	Regulations under the Water Industry Competition Act – Professional advice	49,056
Total for consultancies \$30,000 or greater			689,868

Consultancies less than \$30,000 each

There were 5 consultancies in the following categories:

No of Consultancies	Category	Cost (\$)
4	Environmental	33,800
1	Economic	29,250
Total for consultancies less than \$30,000 each		63,050
Total Consultancies		752,918

APPENDIX 7

Funds granted

The Department granted funds to the following non-government organisations:

Budget Paper Program Area: 47.1 Water and Energy Policy and Program Delivery

Budget Paper Program: 47.1.1 Urban Water

Water for Life Program

Table A7.1 Funding under *Water for Life Program*

Organisation	Purpose	Amount (\$)
Ethnic Communities Council of NSW	Water conservation education and support for a water ambassadors network for people from a non-English speaking background	70,000
Geography Teachers Association of NSW and Science Teachers Association of NSW	Development of water education resources for years 5-10 and professional development for teachers	85,000
Australian Conservation Foundation	Water conservation education for householders and pilot education project for 18-35 year-olds	90,000
Property Council of Australia	Water efficiency seminar series for the property sector	60,000

Budget Paper Program Area: 47.1 Water and Energy Policy and Program Delivery

2006-07 Budget Paper Program: 47.1.2 Rural Water

Cap and Pipe the Bores – Grants to farmers towards the cost of rehabilitating artesian bores and replacing wasteful bore drains with efficient, piped reticulation systems in the Great Artesian Basin.

Table A7.2 Funding under Cap and Pipe the Bores

Recipient Scheme	Groundwater Management Zone	Location	Amount (\$)
Cryon Water Conservation Scheme	Surat	Cryon	2,158,800
Midkin No. 2	Surat	Moree	210,000
Uranbah	Surat	Telleraga	928,600
3 B's Gorian Bore Water Trust	Surat	Cryon	753,200
Kiewa	Surat	Coonamble	142,000
Bullaroon	Warrego	Engonia	393,000
Dunsandle	Warrego	Engonia	195,600
Border Downs	Central	Milparinka	192,800

APPENDIX 8

Privacy

In the 2006-07 reporting period, there were no requests for access to documents, no applications for an internal review and no complaints under the *Privacy and Personal Information Protection Act 1998*.

The Department is committed to ensuring the protection of the right to privacy of its staff and clients. To ensure that the privacy of its clients is protected the Department documents policy; has application forms and guidelines for making privacy applications; has a privacy site on the intranet where the Privacy Guidelines are published and has included privacy notices on all compliance documentation.

The Department holds the following classes of personal information:

- Licensing Administration System Database (LAS)
- Permit Under Part 3A Rivers and Foreshores Improvement Act
- Registration of Groundwater Bores Part 5 Water Act
- Water Licences Part 2 Water Act Control of Access to Surface Water
- Water Licences Part 5 Water Act Control of Access to Groundwater
- Water Licences Part 8 Water Act Control of Certain Works on River Banks and Flood Plains
- Register of Approvals for Water Management Amendment Act 2002
- Water Access Licences
- Groundwater Database System
- Drillers Licences
- Complaint Files
- Correspondence Files
- Financial Accounting Database
- Personnel Records
- Protected Disclosure Files
- Questionnaires

APPENDIX 9

Freedom of information

On 27 April 2007 the Department of Water and Energy (DWE) was created, incorporating most of the functions of the former Department of Energy, Utilities and Sustainability (DEUS) and the water-related functions of the former Department of Natural Resources as well as the Metropolitan Water Directorate from the former NSW Cabinet Office.

Some of the functions of the former DEUS, such as the Energy and Water Savings Funds and Action Plans were transferred to the new Department of Environment and Climate Change. The Accredited Service Provider program was also transferred to the Office of Fair Trading.

The *Freedom of Information Act 1989* gives the public the legal right to obtain access to documents held by the Department, request amendments to records of a personal nature that are inaccurate and appeal against a decision not to grant access to a document or to amend personal records.

DWE is committed to transparent and accountable decision-making. Members of the public can access many documents held by DWE through the website, on request or by purchasing them. Other documents can be obtained by applying under the *Freedom of Information Act 1989*.

Freedom of information (FOI) statistics for 2006–07 are shown below. Due to the restructure of departments, as described above, comparison with previous years is not possible.

DWE received 47 new FOI requests this year and 45 applications were processed.

Many applications were from members of parliament, solicitors, companies, and community and political organisations. DWE received very few FOI applications from people seeking information about their personal affairs. While six of the FOI applications were subject to exemptions from release, in most cases these exemptions covered very few documents. Many DWE applications are complex and frequently involve documents provided by third parties such as individuals, organisations and businesses. Most FOI exemptions were made to protect those parties' personal and business affairs. Very few documents created by DWE were exempted.

There were two internal review decisions made during 2006–07. In both cases, the original FOI decision was upheld. There were two reviews by the Ombudsman of FOI decisions to refuse access. One of these was varied.

Statistics for 2006-07 FOI applications

These are the combined statistics from the former DEUS and DNR as well as for DWE after the merge. All statistics relating to DECC have been deleted from this chart as DECC are counting them in their annual report.

This statistical summary is set out in accordance with the provisions of the *Freedom of Information Act 1989* and the Premier's Department 1994 *FOI Procedure Manual*.

Table A9.1 Freedom of Information statistical summary

Freedom of information applications		2006-07
FOI requests received:		
New (including transferred in)		47
Brought forward from previous period		2
Total to be processed		49
Completed requests		35
Requests transferred out		2
Withdrawn requests		7
Total processed		45
Unfinished requests (carried forward)		4
Result of FOI requests:		
Granted in full		16
Granted in part		13
Refused		6
Deferred		0
Consultations:		
Requests requiring consultations		15
Total consultations		15
Requests granted in part or refused – basis of disallowing or restricting access:		
s. 19 application incomplete, wrongly directed		1
s. 22 deposit not paid		2
s. 25(1)(a1) diversion of resources		1
s. 25(1)(a) exempt		6
s. 25(1)(b), (c), (d) otherwise available		0
s. 28(1)(b) documents not held		2
s. 24(2) deemed refused, over 21 days		0
s. 31(4) released to medical practitioner		0
Total		12
Costs and fees of requests processed		
Assessed costs		\$4207.50
Fees received		\$1785.00

Freedom of information applications		2006-07
Discounts allowed:		
Public interest		0
Financial hardship: pensioner/child		2
Financial hardship: non-profit organisation		2
	Total	4
Days to process:		
0–21 days		4
22–35 days		18
Over 35 days		13
	Total processed	35
Processing time:		
0–10 hours		10
11–20 hours		23
21–40 hours		2
Over 40 hours		0
	Total processed	35
Reviews and appeals finalised:		
Internal reviews		2
Ombudsman's reviews		2
Administrative Decisions Tribunal appeals		0
Internal review details – grounds on which requested Upheld:		
Access refused		2
Exempt matter		0
Unreasonable charges		0
Charges unreasonably incurred		0
	Total upheld	2
Ombudsman review details – grounds on which requested		
Access refused		2
Exempt matter		0
Unreasonable charges		0
Charges unreasonably incurred		0
	Total varied	1

Statement of Affairs

The Freedom of Information Act 1989 gives the public the legal right to:

obtain access to documents held by the Department;

- request amendments to records of a personal nature that are inaccurate; and
- appeal against a decision not to grant access to a document or to amend personal records.
- Under the Freedom of Information Act 1989, the Department is required to publish an annual Statement of Affairs. This annual report includes all the requirements of the Department's Statement of Affairs including the structure and functions of the Department; how these functions affect the public; how the public can participate in the Department's policy development; the kinds of documents the Department holds; and how members of the public may access and amend the Department's documents.

Programs and activities

The structure and functions of the Department, how these functions affect the public and how the public can participate in the Department's policy development are detailed elsewhere in this annual report. Information on the Department's programs and activities, publications and its policies can also be accessed on the internet at www.dwe.nsw.gov.au.

Documents held

The Department holds the following categories of documents:

- policy documents and correspondence;
- documents on internal administration;
- policy, minutes and correspondence to/from boards and committees; and
- policy documents and correspondence concerning grants, agreements and contracts.

Accessing the Department's documents

Policies and publications can be accessed in several ways:

- Internet www.dwe.nsw.gov.au
- The Department's Library, located in Parramatta – Phone 9860 1042 or internet on www.library@dnr.nsw.gov.au or by inter-library loan procedures at your local library.
- Copies of the Department's publications may also be obtained from the online bookshop at www.bookshop.nsw.gov.au
- FOI Coordinator (see below)

Accessing and amending the Department's documents

Requests under the FOI Act for access to documents held by the Department are the responsibility of the Department's FOI Coordinator.

Applications for access to documents under the provisions of the Freedom of Information Act 1989 must be in writing, either on an application form or by letter, accompanied by the \$30 application fee and directed to:

Freedom of Information Coordinator
Department of Water and Energy
GPO Box 3889
Sydney NSW 2001

Phone (02) 8281 7777
Fax (02) 8281 7799

FOI application forms may be obtained by contacting the FOI Coordinator who can also assist with completion of the application or on the Department's website www.dwe.nsw.gov.au

Copies of documents may be requested, or originals may be made available for examination in certain circumstances.

Processing an FOI request

The FOI Unit will acknowledge the request and provide a determination concerning access, normally within 21 days. If the processing time has to be extended, the FOI Unit will keep the applicant informed as to the progress of their application. The applicant may be required to clarify the request and sometimes a request may be referred to another Department if the request is more closely connected to the functions of that Department.

Access to documents may be refused if a document is held to be exempt under Schedule 1 of the FOI Act. The FOI Unit will provide reasons why the document is exempt in a letter of determination. If a request for access is refused, the applicant has rights of review and appeal, firstly by applying for an internal review of the decision. If required, an external review by the Office of the Ombudsman may be requested and/or an appeal may be lodged with the Administrative Decisions Tribunal (ADT).

Charges for Access

Charges for processing an FOI application are set out in the table below. There is a 50 percent discount for people who can demonstrate financial hardship, or if release of the document is in the public interest.

Amendment to Personal Records

Applicants can request an amendment of documents containing information about their personal affairs where they consider that the information is incomplete, incorrect, out of date or misleading. If the Department refuses to amend the record, the applicant has the right to include with the record a statement outlining why they consider the record to be incorrect and any information they feel is necessary to correct the record, complete it or bring it up to date.

Applications must in writing, identify the information alleged to be incorrect, provide details why the information they want amended is incomplete, incorrect, out of date or misleading, and, if necessary, supply documentation in support of their claim.

Table A9.2 Charges for processing FOI applications

Nature of Application	Application Fee	Processing
Access to records by natural persons about their personal affairs, the first 20 hours	\$30	\$30 an hour after the first 20 hours
All other requests	\$30	\$30 per hour
Internal review (all circumstances)	\$40	Nil
Amendment of records	Nil	Nil

APPENDIX 10

EEO statistics

Table A10.1 Staff numbers by salary category

LEVEL	Number								
	Total staff	Respondents	Men	Women	Aboriginal people and Torres Strait Islanders	People from racial, ethnic, ethno-religious minority groups	People whose language first spoken as a child was not english	People with a disability	People with a disability requiring work-related adjustment
< \$33,910	1	1	0	1	0	0	0	0	0
\$33,910 - \$44,537	22	14	18	4	0	2	1	2	2
\$44,538 - \$49,791	34	19	9	25	2	1	0	2	0
\$49,792 - \$63,006	136	117	56	80	4	10	12	9	3
\$63,007 - \$81,478	249	212	175	74	1	39	36	17	7
\$81,479 - \$101,849	165	141	125	40	0	21	27	9	2
> \$101,849 (non SES)	70	56	53	17	0	2	3	5	1
> \$101,849 (SES)	7	5	6	1	0	1	0	0	0
TOTAL	684	565	442	242	7	76	79	44	15

APPENDIX 11

Major assets other than land

Table A11.1 Major assets other than land

Asset	Book Value \$000
Buildings including regional offices, depots, and leasehold improvements	5,534
Water infrastructure systems including bores and other infrastructure	26,072
Plant and equipment	3,149
Intangibles including databases for Water Information Systems	4,536
Total	39,291

APPENDIX 12

Major works in progress

Table A12.1 Major works in progress

Project Description	Location	Start	Complete	Est. Total Cost \$'000	Exp. to 30 June 2007 \$'000
Water Information System	Various	2001	2008	7,366	6,230
Water Management Monitoring and Information System	Various	2004	2012	19,975	5,085

APPENDIX 13

Waste reduction and purchasing policy

The Department is committed to the Government's WRAPP (Waste Reduction and Purchasing Policy).

The Department communicates to all staff by way of its induction program and its intranet, the initiatives which have been implemented to minimise the environmental impact of its operations.

Staff are encouraged to recycle paper, cardboard, glass, cans and plastics and receptacles are provided to facilitate these practices. A collection process is also in place for the collection of toner cartridges for recycling, with regular reporting on quantities diverted from landfill.

The Department's induction program includes the provision of green bags to all new staff in an effort to discourage the use of plastic bags and minimise waste generation.

Wherever possible, the Department arranges the repair, reuse or reallocation of office equipment and furniture items in preference to purchasing replacement items. Obsolete IT equipment is recycled via the Department of Commerce's *Reconnect.NSW* program or similar recycling programs conducted by equipment manufacturers.

Every effort is made to purchase stationery items and furniture items containing recycled content or those products that are manufactured using environmentally-friendly practices.

A *switch off* initiative to promote awareness of the need to turn off electrical equipment when not in use in an effort to conserve energy and foster behavioural change, is also promoted to staff via the Department's induction program and intranet.

Glossary of acronyms and abbreviations

ABS	Australian Bureau of Statistics	DSEP	Dam Safety Emergency Plans
ADT	Administrative Decisions Tribunal	DSP	Development Servicing Plans
AER	Australian Energy Regulator	DWE	Department of Water and Energy
AEMC	Australian Energy Market Commission	EAPS	Ethnic Affairs Priority Statement
ANCOLD	Australian National Committee on Large Dams	EAPA	Energy Accounts Payment Assistance
ANZOG	Australian and New Zealand School of Government	EBC	enterprise based conservation
ATEDAC	Australian Transport Energy Data Analysis Centre	EDGAR	Environmental Data Gathering and Reporting tool
BASIX	Building Sustainability Index	EEO	Equal Employment Opportunity
AWT	Aboriginal Water Trust	EIS	Environmental Impact Statement
BOM	Bureau of Meteorology	EP&A Act	<i>Environmental Planning and Assessment Act 1979</i>
BRS	Bureau of Rural Sciences	ERIG	Energy Implementation Reform Group
CALD	culturally and linguistically diverse	EUSFAC	Energy and Utility Services Functional Area Coordinator
CAP	catchment action plan	FOI	Freedom of Information
CATSALT	Catchment Scale Salt Balance Model	GAB	Great Artesian Basin
CBD	central business district	GL	gigalitre (1 GL = 1000 ML = 1,000,000,000 litres)
CCA	Comprehensive Coastal Assessment	GIS	Geographic Information Systems
CEO	Chief Executive Officer	GMR	Greater Metropolitan Region
CLAS	Community Language Allowance Scheme	GGAS	Greenhouse Gas Reduction Scheme
CMA	Catchment Management Authority	GWh	gigawatt-hours
CMP	Catchment Management Plan	IAG	Independent Audit Group
COAG	Council of Australian Governments	ICAC	Independent Commission against Corruption
CRC	Community Relations Commission for a multicultural NSW	ICT	Information, Communications and Technology
CSIRO	Commonwealth Scientific and Industrial Research Organisation	IGA	intergovernmental agreement
CTWSS	Country Towns Water Supply and Sewerage Program	IMEF	Integrated Monitoring of Environmental Flows
DA	development application	IPAA	Institute of Public Administration Australia
DECC	Department of Environment and Climate Change	IPCC	Infrastructure and Planning Cabinet Committee
DEUS	Department of Energy Utilities and Sustainability	IPART	Independent Pricing and Regulatory Tribunal
DSC	Dams Safety Committee	IQQM	Integrated Quantity and Quality Model
DNR	Department of Natural Resources	IVR	interactive voice response
		IWCM	integrated water cycle management
		JGE	joint-government enterprise

JSC	(Natural Resource Management) Joint Steering Committee	TAFE NSW	Technical and Further Education New South Wales
KPI	key performance indicator	NWI	National Water Initiative
KRA	key result area	OHS	occupational health and safety
LEP	Local Environmental Plan	OSCAR	Online System for Challenge plus Activity Reporting
LGA	Local Government Area	PANRIIE	Planning and Natural Resource Information Integration Environment
LPI	Land and Property Information	PRA	Portfolio Risk Assessment
LWMP	Land and Water Management Plan	PVRP	Photovoltaic Rebate Program
LWU	Local Water Utilities	Ramsar	Internationally recognised wetlands, first agreed at the Convention on Wetlands, signed in Ramsar, Iran, in 1971
M	million	REP	regional environmental plan
MCE	Ministerial Council on Energy	RFI Act	<i>Rivers and Foreshores Improvement Act 1948</i>
MDB	Murray-Darling Basin	RRPGP	Renewable Remote Power Generation Program
MDBC	Murray-Darling Basin Commission	RSP	results and services plan
MEPS	Minimum Energy Performance Standards	SCCB	State Contracts Control Board
MER	Monitoring, Evaluation and Reporting (Strategy)	SEPP	State Environmental Planning Policy
ML	megalitre (1ML = 1,000,000 litres approximately the volume of one Olympic-size swimming pool)	SES	State Emergency Service
MWh	megawatt-hour	SLA	service level agreement
MWP	Metropolitan Water Plan	SMS	short message service
MOU	Memorandum of Understanding	SPOT 5	Satellite equipped with imaging equipment.
NAP	National Action Plan (for Salinity and Water Quality)	STP	sewage treatment plant
NEMMCO	National Electricity Market Management Company	TAM	Total Asset Management
NEMO	National Electricity Market Operator	TBL	Triple Bottom Line
NENS	National Electrical Network Safety	TLM	The Living Murray Initiative
NETS	National Emissions Trading Scheme	TMF	Treasury Managed Fund
NFEE	National Framework for Energy Efficiency	TRB	Typical Residential Bills
NGERAC	National Gas Emergency Response Advisory Committee	WA1912	<i>Water Act 1912</i>
NOSEC	National Oil Supply Emergency Committee	WAG	Water Assessment Guide
NRET	NSW Renewable Energy Target	WAL	water access licence
NHT	Natural Heritage Trust	WELS	Water Efficiency Labelling Scheme
NRAC	Natural Resources Advisory Council	WIX	Water Information Exchange
NRC	Natural Resources Commission	WMA2000	<i>Water Management Act 2000</i>
NRM	natural resource management	WRAPP	Waste Reduction and Purchasing Policy
NSW	New South Wales	WSP	water sharing plan

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Further information and contacts

More information on DWE's programs and services is available from:

Street Address

Level 17
227 Elizabeth Street, (corner Bathurst Street)
Sydney NSW

Mailing Address

GPO Box 3889
Sydney NSW 2001

Telephone Numbers:

- General Enquiries: 02 8281 7777
- Energy Information Line: 1300 136 888
- Renewable Remote Power Generation Program: 1300 137 880
- Water legislation non-compliance reporting: 1800 633 362
- Algal Information Line: 1800 999 457

Facsimile: 02 8281 7799

Email: information@dwe.nsw.gov.au

Hours of business: 8.30am - 5.00pm Monday to Friday

Website: www.dwe.nsw.gov.au