

Department of Water and Energy

Annual Report

2007–2008



NSW Government
Department of Water & Energy

Annual report 2007–2008

The Hon Ian Macdonald MLC

Minister for Energy
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Sydney NSW 2000

The Hon Phillip Costa MP

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31 October 2008

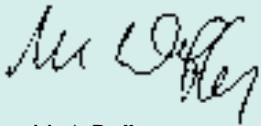
Dear Ministers

I am pleased to submit to you the Department of Water and Energy's Annual Report for the year ended 30 June 2008 for tabling in Parliament.

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

I commend the report to you.

Yours sincerely



Mark Duffy
Director-General
Department of Water and Energy

About this document

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About this report

The organisation

The Department of Water and Energy (DWE) was established on 27 April 2007, incorporating most of the functions of the former Department of Energy, Utilities and Sustainability 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.

The Government established DWE to address two of the biggest challenges facing the 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 Plan's priorities which establish the primary goals towards which our performance is directed.

Report structure

The report is divided into four parts. The first provides an 'at a glance' overview of the Department including what it sets out to achieve as well as a summary of actual performance. Part 2 fully describes the outcomes achieved. Part 3 contains the complete financial statements in accordance with legislative requirements and Part 4 contains appendices with more detailed information supporting comprehensive reporting and disclosures required by the relevant Annual Reports Act.

Performance reporting

This is the second annual report for DWE but the first where reporting on a full financial year has been possible.

DWE's Corporate Plan 2007-2010 established our vision, key result areas (KRA), planned outcomes and key performance indicators (KPI) providing the framework for reporting performance. This annual report has been presented to align with the KRAs established in the Corporate Plan and uses the KPIs to measure performance. Long term trends have been reported where information is available.

This report also includes DWE's corporate governance processes, comments on financial results and discusses the year ahead.

This and past annual reports can be accessed on DWE's website at www.dwe.nsw.gov.au.



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Part 1

overview

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Departmental overview

Who we are

The NSW Department of Water and Energy (DWE) commenced operating in April 2007 to deliver the Government's policy and reform agenda for the water and energy sectors in NSW.

DWE is a general government agency providing policy, legislative, regulatory, technical and management advice in relation to water and energy matters to the Minister for Water and the Minister for Energy. In addition to providing advice to its Ministers, the agency also carries out a regulatory and enforcement function in both water and energy.

DWE has approximately 650 full-time equivalent staff based in 42 offices around the State, with our Head Office in central Sydney. The Department's corporate services division provides strategic corporate development services, with most corporate and business transaction services being provided by the Department of Commerce through various service level agreements.

What we do

DWE works with the water management, urban water and energy industries, other government agencies and State-owned corporations, industry, business, environmental 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 supplies and well managed, efficient and equitable services across NSW
- Reliable and sustainable energy supplies, safe and efficient energy services and a robust consumer protection framework, including support for vulnerable customers.

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 and systems 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 the performance of water and energy utilities
- Funding and technical advice for backlog water and sewerage infrastructure and emergency drought assistance
- Promoting and maintaining competition in energy supply markets and urban water utilities
- Development of national energy market frameworks in partnership with other States
- Electricity and gas network monitoring
- Licensed pipeline regulation and performance monitoring
- Provision of advice to the Government on greenhouse and low emission generation technologies and policies
- Implementation of consumer protection policies for residential and small business energy and urban water customers.
- Administration and oversight of energy and water rebate programs

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: Reliable and sustainable energy supplies, safe and efficient energy services and a robust consumer protection framework, including support for vulnerable customers.

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:

- The Premier and our Ministers
- The people, communities and environment of NSW
- NSW, Commonwealth and local governments
- NSW central agencies such as the Department of Premier and Cabinet, NSW Treasury, and the Independent Pricing and Regulatory Tribunal
- National energy bodies such as the Australian Energy Regulator and the Australian Energy Market Commission
- 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 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

As a Department of the NSW Government we are now just over a year old. This is the second annual report for DWE but the first to report on a full financial year. We have made significant progress in not only completing the merger of our former agencies and consolidating our new organisation but also forging ahead with delivering efficient services.

We are the lead agency for two key State Plan priorities for water and energy so have an important role to play in the Government's policy and reform agendas.

These are expanding beyond state borders with water and energy issues increasingly being seen in a Commonwealth context. We must adopt cooperative management approaches whilst ensuring NSW interests are maintained.

This report outlines a few of the achievements and challenges in undertaking our water and energy functions and our progress in developing the organisation.





Promoting sustainable water sharing and trading

At the national level, new arrangements were agreed for the management of the water resources of the Murray-Darling Basin – 57 per cent of the total area falls within NSW – with the signing of a memorandum of understanding by the Commonwealth and the Basin jurisdictions and an Intergovernmental Agreement on Murray-Darling Basin reform. A major package of NSW infrastructure projects to create water savings for the Murray-Darling Basin received in-principle Commonwealth approval for funding of \$1.358 billion as part of this process.

Steady progress is being made with the development of water sharing plans. The key target is to complete all the inland plans by 2011 for the commencement of the Commonwealth's Basin Plan to ensure the arrangements for the management of all the rivers and groundwater resources of the Murray-Darling Basin are on the same footing.

Once again the drought impacted heavily on NSW with 63 per cent of the State still drought declared at June 2008. The Department worked closely with local Water Advisory Groups to determine priorities and options for water supply to ensure supply to towns, rural properties and live stock, essential industries and the survival of permanent plantings. However, despite the drought and limited water allocations, record levels of water trading occurred allowing water users to adapt their business operations to the difficult climatic conditions.

To assist groundwater irrigators adjust to reduced use of groundwater as a result of the water sharing plans, \$95 million of the \$125 million structural adjustment assistance package for the major inland aquifer systems has now been paid.

Securing Sydney's water supply

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. For example, the Sydney Catchment Authority has modified its infrastructure and installed new pumps to access deeper parts of some dams, increasing long term water availability by 40 billion litres a year – a key achievement under the Plan.

The \$15.7 million Water for Life 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 – is having an effect. With 74 per cent of consumers surveyed saying they often take action to conserve water, total water use has reduced to levels equivalent to that in the early 1970s despite the increased population.

Supporting local water utilities

The Country Towns Water Supply and Sewerage Program has delivered enhanced public health, environmental and security of supply outcomes to over 1 million residents living in country NSW. With the aim of improving health outcomes in over 60 Aboriginal communities – a State Plan priority – the Government has jointly announced, with the NSW Aboriginal Land Council, a \$205 million Aboriginal Water Supply and Sewerage Program. This 25 year program provides technical and financial assistance for operation, maintenance and monitoring of the systems serving these communities. The program is to be managed by this Department.

Management of the State's water and sewerage infrastructure has significantly improved with over three quarters of the revised Best-Practice Management Guidelines now being met by local water utilities and approximately 80 per cent committed to undertaking Integrated Water Cycle Management.

Ensuring reliable and sustainable energy supply and use

DWE 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 implemented significantly improved governance, regulatory and institutional arrangements for the national energy markets – both gas and electricity. NSW has led many of these substantial changes to the national legislative framework. For example, responsibility for economic regulation of the gas transmission sector and gas and electricity distribution networks has been transferred to the Australian Energy Regulator.



The Department continued to make policy improvements for the technical regulation of electricity, gas and pipeline infrastructure. In response to a disruption to natural gas supply in 2007, natural gas market participants and DWE developed robust and enforceable market arrangements to ensure the continuity of the natural gas supply in NSW. Regulatory services provided by DWE also contributed to significant progress by electricity distributors towards delivering 99.98 per cent reliability by 2016 – another State Plan target.

DWE has also worked collaboratively with other states at the national level towards a consistent national scheme for emissions trading – the Carbon Pollution Reduction Scheme (CPRS). As the NSW Greenhouse Gas Reduction Scheme (GGAS) will terminate on commencement of the CPRS, stakeholder consultations on the transition of GGAS into the CPRS were conducted and responses have been used to inform the NSW Government's negotiating position with the Commonwealth. The Department has continued to manage the national GreenPower Program on behalf of other states and territories and played an active role in developing the new National Mandatory Renewable Energy Target through the Council of Australian Governments (COAG) process.

We have strengthened protection for vulnerable consumers through new regulatory provisions for the retail energy industry and worked with electricity retailers to implement voluntary hardship charters for all participants.





Consolidating the organisation

DWE has established sound corporate governance processes, undertaken strategic risk assessments, published and promoted the Corporate Plan and developed budgeting and financial management systems.

A series of internal communication workshops across the organisation informed staff of strategic policy directions, corporate priorities, values and some business and performance management processes so that everyone could have a clear line of sight to our vision and the contribution they make to our key result areas. Wide-ranging functional reviews of branches to clarify roles and responsibilities streamlined the organisational structure and resourcing at the operational level.

In pursuit of State Plan strategies for improving service delivery and customer satisfaction we conducted and reported the results of a pilot customer satisfaction survey. We are already using the outcomes to develop service improvement plans and will measure future changes in satisfaction from the baseline established by this initial survey.

Looking forward

We have considerable work to do in managing the State's finite water resources, in meeting the emerging challenges of the energy sector and in streamlining processes and systems to ensure that we deliver on organisational goals as effectively as possible.

We will continue to work with the Commonwealth and other States on implementing new Murray-Darling Basin arrangements and amend NSW legislation accordingly. We will investigate the application of a nationally compatible water trading and entitlements register.

A review of the Metropolitan Water Plan will continue through to 2010 providing the opportunity to adapt 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. In regional areas we will support local water utilities to improve their operations and implement the outcomes of the current local water utilities Inquiry.

We will continue to work at a national level on energy issues such as promotion and development of the renewable energy industry, finalisation of reviews on non-economic regulation of electricity networks, development of new national arrangements for natural gas networks, transfer of all gas and electricity market operations to the Australian Energy Market Operator, and ongoing development and monitoring of the natural gas Short Term Trading Market.

I am confident we can continue to strengthen the organisation 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

- New arrangements were agreed for the management of the water resources of the Murray-Darling Basin with the signing of a MoU and the IGA by the Commonwealth and the Basin jurisdictions
- A major package of NSW infrastructure projects to create water savings for the Murray-Darling Basin received in-principle approval for funding of \$1.358 billion

Sustainable Water sharing

- Two additional water sharing plans were completed and gazetted bringing the total to 38 plans completed statewide
- A major new policy to prevent any additional floodplain harvesting of water and licence existing approved works was announced

Clear water rights and trading

- More than 14,700 licences have been converted to the *Water Management Act 2000* providing a perpetual, mortgageable and tradeable business asset
- NSW, Victoria and South Australia are operating under agreed inter-state water trading arrangements.
- Despite the drought and limited water allocations, record levels of water trading occurred allowing water users to adapt their business operations to the difficult climatic conditions

Industry adjustment and improved environments

- To assist groundwater irrigators to adjust to reduced use of groundwater as a result of water sharing plans (WSP), \$95 million of the \$125 million structural adjustment assistance package for the major inland aquifer systems has now been paid
- A further 3,000 ML of groundwater was saved through the Cap and Pipe the Bores Program in the Great Artesian Basin

Informed decisions

- The Waterinfo website received over two million hits providing real and near real time water data for a range of water users.
- The first comprehensive modelling work on future rainfall and runoff generation in NSW provided a dataset to plan for climate change

Key Performance Indicators

% water extraction covered by water sharing plans	87% – on track to meet key water reform targets.
% WAct licences converted to tradeable WALs under the WMAAct	35% – depends on WSP commencement
Level of compliance with legislation and statutory instruments	Variable – no discernable trend in movement of this indicator.
Proportion (%) Snowy JGE water savings target achieved	50% - NSW projects contributed 82% of these savings.
Proportion (%) of analysis and reporting targets/milestones achieved	Measurement protocols not yet fully established.

Urban water utilities

Metropolitan Water

- Under the Metro Water Plan modified infrastructure and new pumps at two dams have increased long term water availability in Sydney by 40 billion litres a year
- The volume of recycled water has risen from 15 billion litres to over 25 billion litres a year
- Developed 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
- The Water for Life Education Program funded a wide range of programs to engage the 4.3 million people in the greater Sydney community to play their part in securing our water for the future

Non-Metropolitan Water

- The Country Towns Water Supply and Sewerage Program has now completed nearly 350 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
- To improve the health outcomes in over 60 Aboriginal communities the Government has announced a joint program with the NSW Aboriginal Land Council worth \$205 million over the next 25 years
- Supported by DWE 79 of 106 local water utilities (LWU) are committed to undertaking Integrated Water Cycle Management
- Ninety 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. A total of 25 projects received financial assistance from the State Government to enhance the drought security of town water supplies

Key Performance Indicators

% Metropolitan Water Plan targets/milestones achieved	97%
% Greater Sydney residents taking action often to conserve water	74%
Annual number of additional people in non-metropolitan NSW benefiting from ■ water supply system improvements ■ improved sewerage systems	34,000 34,000
Population in non-metropolitan NSW with a reticulated sewerage service	1.7 million 94.6% coverage
Proportion of requirements of Best-Practice Management Guidelines met by LWUs	77%

Energy supply and use

National and NSW Energy Policy

- National and relevant NSW legislation changes have transferred economic regulation of distribution and transmission networks to the Australian Energy Regulator
- National legislation implemented providing for the Australian Energy Market Commission to provide policy oversight for economic regulation of distribution and transmission to the MCE
- Supported the Owen Inquiry and subsequent reform processes providing expert policy advice, information and analysis

Regulation of Energy Network Reliability

- Regulatory services contributed to significant progress by electricity distributors towards delivering 99.98% reliability by 2016
- Ongoing policy improvements in legislative and regulatory frameworks for the technical regulation of electricity, gas and pipeline infrastructure, with a move towards outcomes focus

Renewable Energy and Efficiency Programs

- Provided input and comment to the development of the Commonwealth's enhanced Mandatory Renewable Energy Target of 20% renewable energy by 2020
- Ran the national GreenPower program on behalf of all other states and territories sustaining high growth in customer participation and sales in NSW
- Participated in the COAG Water and Climate Change Working Group to develop a consistent national greenhouse framework, including the establishment of the Carbon Pollution Reduction Scheme

Vulnerable customer support

- Developed policy and regulatory changes to strengthen disconnection procedures to better protect residential customers in NSW
- Worked with electricity retailers to implement voluntary Hardship Charters for all participants
- About \$85 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	This indicator will be reviewed and revised to a more appropriate measure of DWE service performance

Organisational capability

Service Delivery

- The results of a pilot customer satisfaction survey very encouraging – 70% satisfaction rate – provides good baseline information

Governance and Risk

- Using the JCC process, successfully negotiated uniform employment conditions across the organisation with no dispute
- OHS awareness and culture significantly improved through development of DWE policy and guidelines, and the OHS Consultation Framework

People and Culture

- A survey of all DWE staff established valuable baseline data on workplace culture, attitudes and performance aiding in design of organisational development programs
- Equity and Diversity and Disability Action Plans developed. A new DWE Spokeswomen's program launched. Continued with the tri-agency Aboriginal Support Network

Systems, Processes and Information Resources

- A number of web based applications were developed and deployed to allow customers to provide information electronically as required by regulation

Financial and Asset Management

- An unqualified audit opinion for the financial statements was received and a number of longstanding financial accounting legacy issues were resolved to the satisfaction of the Auditor-General
- Under the asset utilisation and disposal strategy DWE achieved GAMC endorsement for sale of properties deemed surplus
- Motor vehicle fleet rationalised – average Clean Fleet score improved by more than ten per cent, generating environmental benefits

Key Performance Indicators

Level of client satisfaction with service quality	70% – satisfied or extremely satisfied. Pilot study on limited range of services.
Percentage of line managers trained in OHS	No formal training of managers has been completed. Focus has been on staff consultation and awareness raising
Number of workplace injuries and incidents	63 incidents; 53 injuries. Baseline figures now established
Staff turnover	9% – total increase 0.5%. These are approximate figures based on limited data
Extent of achievement of EEO targets	64% – overall achievement. This has improved from last year's average of 45%

Financial performance summary

This financial summary is for the period 1 July 2007 to 30 June 2008. The detailed financial report is shown in Part 3.

Operating result

Operating statement summary	\$ M
Total expenses excluding losses	467.8
Less	
Total revenue	70.9
Gain/(loss) on disposal of non-current assets	
Share of operating result of joint ventures	(22.1)
Net cost of services	(419.0)
Total Government contributions	433.2
Surplus for the period	14.2

Comment

The surplus of \$14.2 M includes a number of revenue items recognised in the operating statement with no matching expenditure. These include \$7.141 M relating to the NSW Government investment in the Murray–Darling Basin Commission and the Dumaresq–Barwon Border Rivers Commission and \$6.850 M for the Department's capital acquisition program.

Expenses

Expenses by type

Type	\$ M	% of total
Operating expenses		
- employee-related	66.5	14.2
- other operating expenses	44.7	9.6
Grants and subsidies	356.6	76.2
Total expenses	467.8	100.0

Comment

Grants and subsidies made up 76 per cent 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 2007-08	
	\$ M	\$ M	%	\$ M	%
Water management	125.3	84.8	77	210.1	45
Urban water utilities	138.3	19.3	17	157.6	34
Energy supply and use	93	7.1	6	100.1	21
Total expenses	356.6	111.2	100	467.8	100

*The expenses incurred for the Organisational Capability KRA have been distributed over the three external KRAs consistent with presentation in the Department's financial statements.

Comment

The Water Management KRA is the largest in DWE representing 77 per cent of total operating and other expenses.

Revenue

Revenue by major category

Type	\$ M	% of total
Fees for services and miscellaneous	20.7	29.2
Water management revenue	23.2	32.7
Grants and contributions	15.8	22.3
MDBC/DBBRC Recoveries	11.2	15.8
Total revenue	70.9	100.0

Comment

Water management revenue represents contributions by water users which are regulated by the Independent Pricing and Regulatory Tribunal. These contributions are put towards managing and sustaining the State's water systems. In total 64 per cent of our operating expenditure is funded from revenue sources other than the Government allocated budget.

Capital program

DWE's capital program expenditure of \$6.4M 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.

Management and organisational structure

Management Framework

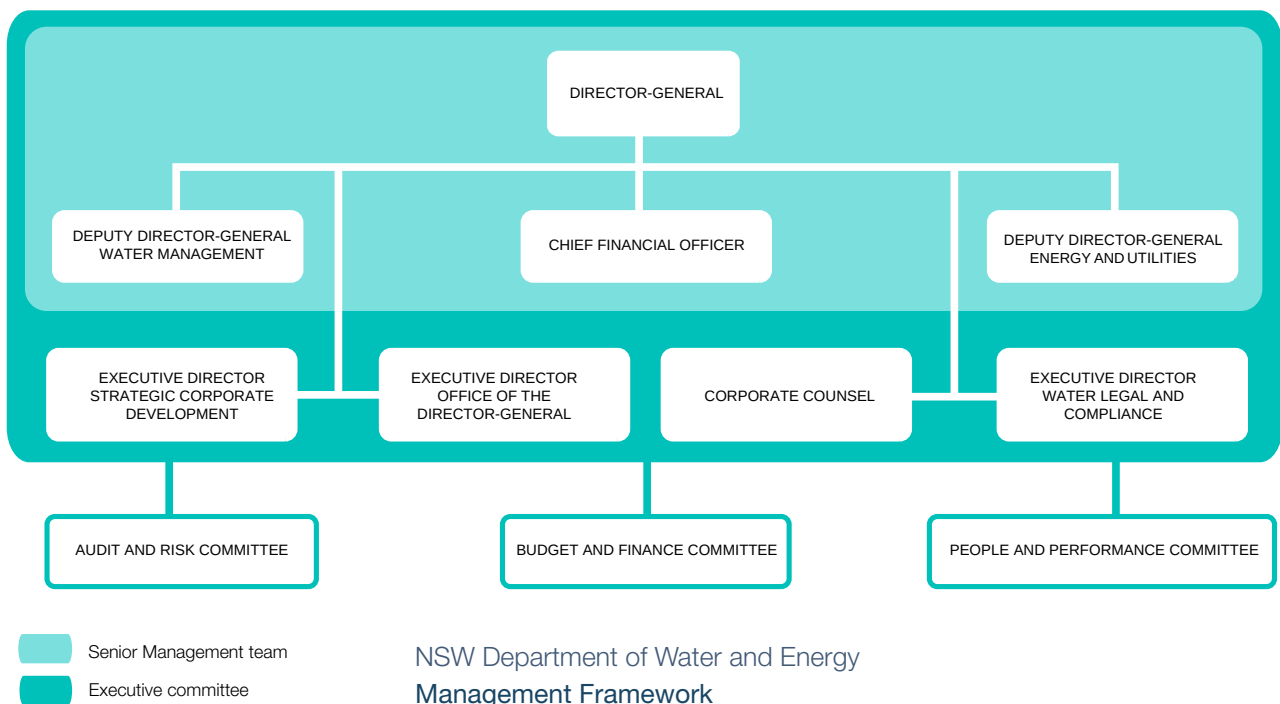
The Department is led by the Senior Management Team consisting of the Director-General, two Deputy Directors-General and the Chief Financial Officer.

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.



NSW Department of Water and Energy
Management Framework

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.

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

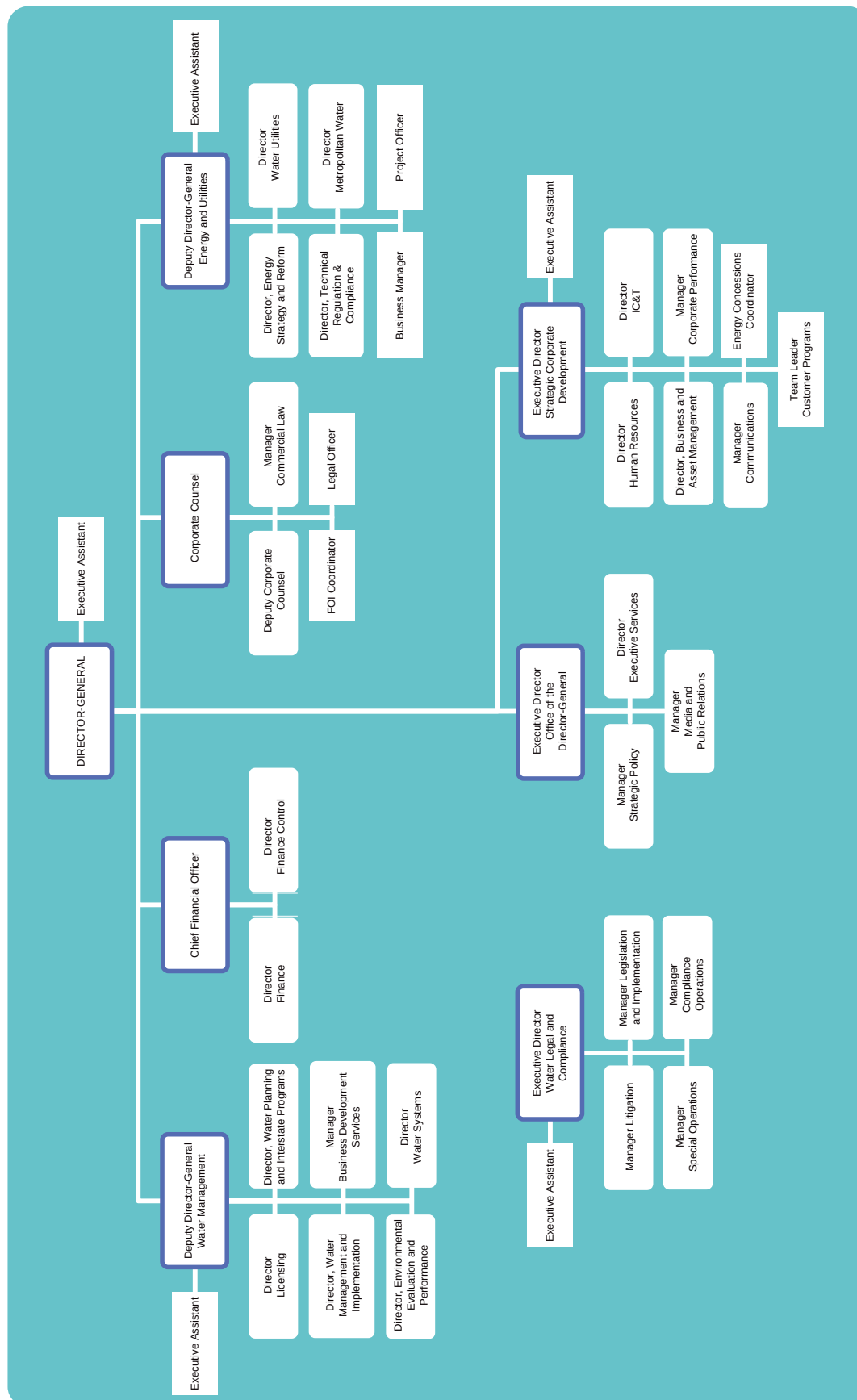
Corporate Finance Division – Strategic budget and financial management.

Strategic Corporate Development Division – Customer service interface as well as strategic corporate human resources, ICT, business and asset management, communications and corporate performance.

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



October 2008

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 twelve 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 senior ministerial advisory roles in the Energy and Treasury portfolios.

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

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, the Department of Land and Water Conservation, 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 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.

Deputy Director-General, Energy and 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 state and national levels. 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 Water, Energy, Forestry, IT and Treasury portfolios.

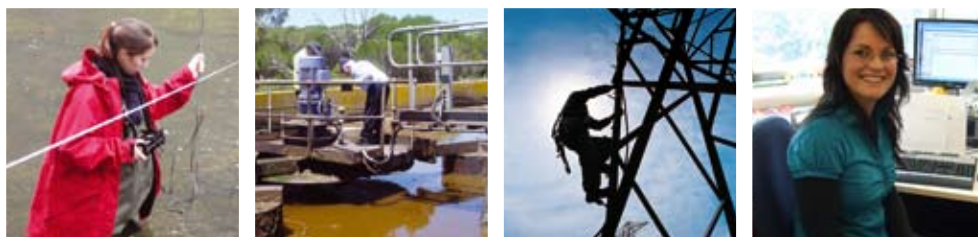
Chief Financial Officer

Debra Bock - B. Bus, CPA

Debra commenced in the role of Chief Financial Officer to the Department of Water and Energy on 7 April 2008 following a career in government finance spanning 25 years. Prior to her appointment to the Department Debra held the position of Director of Financial Services at the University of Technology, Sydney (UTS). Debra has extensive experience in financial reform, having played a leading role in transforming financial services at UTS from those serving an organisation reliant on government funding to those appropriate for a modern university attracting fee paying students in competition with the international higher education sector.

Debra has specialised in government statutory authorities, state and federal and has held senior management positions in the Australian Securities and Investments Commission, the National Maritime Museum and the Australian Broadcasting Authority. In particular her roles have focussed on change management, structural reform and financial improvement through the implementation of ERP Finance and HR systems.

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



Part 2

Performance by Key Result Area

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KRA 1 **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.

State Plan targets

DWE is the lead agency for State Plan Priority E1: *A secure and sustainable water supply for all users*. The E1 target in relation to rural water use is: *Across NSW meet the commitments under the National Water Initiative to restore water extraction from rivers to sustainable levels*.

DWE is a partner agency in State Plan Priority E4: *Better environmental outcomes for native vegetation, biodiversity, land, rivers and coastal waterways*. Within this priority, DWE is a lead agency for sub-targets 5 and 6 – *by 2015 there is:*

- *an improvement in the condition of riverine ecosystems (sub-target 5)*
- *an improvement in the ability of groundwater systems to support groundwater dependent ecosystems and designated beneficial uses (sub-target 6).*

Secure water rights and tradable water licences also promote business confidence, increasing investment in regional water industries, which is a target of State Plan Priority P6.

Major outcomes achieved

- New arrangements were agreed for the management of the water resources of the Murray-Darling Basin with the signing of a Memorandum of Understanding by the Commonwealth and the Basin jurisdictions on 26 March 2008 and an Intergovernmental Agreement on 3 July 2008.
- A major package of NSW infrastructure projects to create water savings for the Murray-Darling Basin received in-principle approval for funding of \$1.358 billion from the Commonwealth Government.
- DWE continued to ensure the joint management of the state's border water resources through the Murray-Darling Basin Commission and the Border Rivers Commission and negotiate arrangements for the establishment of the new independent Murray-Darling Basin Authority.
- Two additional water sharing plans were completed and gazetted bringing the total to 38 plans completed at 30 June. Around 87 per cent of NSW's water extraction is now covered by statutory water sharing plans. A further two plans commenced on 1 July 2008.
- DWE worked closely with local Water Advisory Groups to determine priority and options for water supply to ensure supply to towns, rural properties and livestock, essential industries and the survival of permanent plantings.
- Despite the drought, some environmental water releases were made to ensure the survival and breeding of wetland species.
- Pumping rules were applied in the unregulated rivers to ensure the maintenance of water for ecosystem health and restrictions were applied for the first part of the year in north west NSW to secure water supplies for the city of Broken Hill.
- A major new policy which will prevent any additional floodplain harvesting of water and licence existing approved works was announced.
- In the regulated rivers, extractions were maintained below the limit required under the Murray-Darling Basin cap.
- More than 14,700 licences have been converted to the *Water Management Act 2000* providing a perpetual, mortgageable and tradeable business asset.

- NSW, Victoria and South Australia are operating under agreed inter-state water trading arrangements.
- Despite the drought and limited water allocations, record levels of water trading occurred allowing water users to adapt their business operations to the difficult climatic conditions.
- To assist groundwater irrigators adjust to reduced use of groundwater as a result of the water sharing plans, \$95 million of the \$125 million structural adjustment assistance package for the major inland aquifer systems has now been paid.
- A further 3,000 megalitres of groundwater was saved through the Cap and Pipe the Bores Program in the Great Artesian Basin.
- Water savings measures, such as disconnection of some creeks and wetland systems, were introduced in response to the critical drought conditions in some valleys.
- The NSW Government's Waterinfo website, managed by DWE, received over two million hits providing real and near real time water data for a range of water users.
- The first comprehensive climate change modelling work was done on future rainfall and runoff generation in NSW providing a consistent dataset for use by all NSW Government agencies and industries to plan for and adapt to the impacts of climate change.

Key performance indicators

Proportion (%) of water extraction covered by water sharing plans	87% – on track to meet key water reform targets. Revised from previous years to provide more accurate assessment
Proportion of <i>Water Act 1912</i> (WA1912) licences converted to tradeable Water Access Licences (WAL) under the <i>Water Management Act 2000</i> (WMA2000)	35% – This refers to a tradeable water licence under the WMA2000. Increases in WALs depend on commencement of water sharing plans.
Level of compliance with legislation and statutory instruments	Variable – Compliance activities conducted by DWE found good levels of compliance in some areas and lower levels of compliance in others. There is no discernable trend in movement of this indicator.
Proportion (%) of Snowy Joint Government Enterprise water savings target achieved	50% – NSW projects contributed 82% of these water savings.
Proportion (%) of analysis and reporting targets/ milestones achieved	Measurement protocols not yet fully established.

Water management

Cooperative water management

The National Water Initiative

The National Water Initiative (NWI) is a comprehensive strategy driven by the Commonwealth 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
- 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 the key aims of the NWI.

In December 2007, COAG established a Working Group on Climate Change and Water. Chaired by Senator Wong, Commonwealth Minister for Climate Change and Water, its objective is to ensure sustainable water use across Australia. Building on the NWI, twelve project groups were set up to investigate and report on priority water issues:

- Coordination and delivery of water recovery programs in the Murray-Darling Basin
- Develop consistent definitions of over-allocation and sustainable extraction and guidelines for water planning
- Accelerate work on assessing and managing activities that intercept surface water such as farm dams, floodplain harvesting, plantations and groundwater
- Improve groundwater planning and management
- Review structural adjustment assistance programs
- Review the four per cent limit on permanent trade out of irrigation areas
- Examine the feasibility of a national electronic water entitlements and trading register
- Reduce costs and increase the speed of processing of water trades

Performance report

- Improve water supply and wastewater to remote communities
- Establish urban water principles
- Undertake a national audit of water skills and gaps
- Determine information and knowledge to support water reforms.

DWE was the NSW representative on most of these project groups. The majority of the project groups will be completing their reports in October 2008.

New Murray-Darling Basin governance arrangements

The Murray-Darling Basin extends over Queensland, NSW, Victoria, South Australia and the Australian Capital Territory. All of inland NSW west of the Great Dividing Range, excluding the far north-western corner, is within the Murray-Darling Basin and the majority of the Basin – 57 per cent of the total area – falls within NSW.

Intergovernmental arrangements for the management of the water resources of the Basin have been in place since 1915. In September 2007, the Commonwealth passed its *Water Act 2007*. One of the key aspects of this new legislation is for the Murray-Darling Basin Commission to be replaced by an independent Murray-Darling Basin Authority. On 26 March 2008, the COAG agreed in principle to a Memorandum of Understanding on the Murray-Darling Basin reforms and on 3 July 2008 signed the Intergovernmental Agreement.

During the year negotiations continued on the transfer of responsibilities, functions, staff and assets from the Murray-Darling Basin Commission to the new Authority, which is expected to commence operation in November 2008. A new Ministerial Council, a Basin Officials Committee (of senior officers of the respective state agencies) and a Basin Community Committee (representing water user and stakeholder interests) are also being established.

Throughout the year the Murray-Darling Basin Commission continued to be 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 Department represents NSW water interests on the Commission and will continue to do so through the Basin Officials Committee.

Water for the Future

On 29 April 2008 Senator Wong, Commonwealth Minister for Climate Change and Water, announced a \$12.9 billion investment plan – replacing the former Commonwealth Government's National Plan for Water Security – to take action on climate change, use water wisely, secure future water supplies and to support healthy river systems.

States were requested to submit a State Priority Project submission for funding under the \$5.8 billion "Sustainable Rural Water Use and Infrastructure" component. NSW submitted a range of possible projects and on 3 July 2008 the Commonwealth gave in-principle approval to NSW for \$1.358 billion in funding as follows:

- Up to \$137 million for projects that reduce river losses by piping domestic and stock supply systems with the project to be managed by DWE
- Up to \$300 million for modernising the farm infrastructure associated with irrigation (managed by the Department of Primary Industries)
- Up to \$221 million to upgrade the accuracy of water metering (managed by DWE and State Water)
- \$50 million to improve the management of water on the floodplains through modifications to floodplain structures and extractions (managed by DWE)
- An indicative \$650 million to private irrigators to support water saving upgrades of private infrastructure (Commonwealth negotiating directly with irrigators on possible projects).

This is in addition to the existing commitment of the Commonwealth to provide up to \$400 million to upgrade Menindee Lakes on the Lower Darling River to reduce the extensive evaporation losses from the storages.

Contingency planning in the Murray Valley

The then 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. 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 agreed and implemented by the NSW, Victorian and South Australian Governments.

Although urban supplies were secured in 2007-08 along the Murray River, town water allocations in NSW were reduced and Councils were asked to implement water restrictions. In addition, DWE announced in October 2007 that landholders using bores were subject to town water restrictions and could not use their bore water for lawn watering.

Review of the NSW Water Management Act 2000

The severity of the current drought has highlighted just how important water resources are to our daily lives. The implementation of the *Water Management Act 2000* (WMA2000) marked a significant milestone for water management in NSW, providing the tools to meet the many challenges that are now faced in managing this valuable resource.

A major feature of the WMA2000 is the set of general principles which aim to ensure water resources are used sustainably, water 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, WMA2000 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.

Water licences are a major tool in implementing the plans and achieving the desired outcomes. 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 review has resulted in five recommendations aimed at enhancing DWE's ability to deliver against the principles. These 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.

Sustainable water sharing

Water sharing plans

During 2007-08 another two water sharing plans (WSPs) were finalised and commenced – for the Patterson Regulated River and the Lower Lachlan Groundwater aquifer. In total there will be 91 WSPs developed to cover the entire state. The initial focus will be to have all the inland plans completed by 2011 at the commencement of the Commonwealth's Basin Plan to ensure the arrangements for the management of all the rivers and groundwater resources of the Murray-Darling Basin are on the same footing. The overall aim is for all NSW plans to be completed by 2012. This will bring all water users within the licensing system of the WMA2000, providing benefits of more secure water entitlements, specific rules to provide for the environment and greater opportunities for water trading.

By June 2008 NSW had 38 water sharing plans in operation covering 87 per cent of the total volume of water extraction and the majority of the major river systems and alluvial groundwater aquifers (Table 1.1). This is on track to meet key water reform targets.

The water sharing plan for the Great Artesian Basin and the first macro plan covering the Bellingen River and its associated aquifers were finalised during the year, but did not commence until 1 July 2008.

To complete water sharing plans for most of the remaining areas of the state, the macro planning process – a broader river catchment or groundwater system approach – has been adopted. Expert regional panels assess the environmental and socio-economic values of the system and develop the draft rules for these areas of the state,



Bellingen River – the water sharing plan for this river – the first of a series of macro plans – commenced 1 July 2008

which are then discussed with key stakeholders before the draft plan is finalised for public exhibition. During the year consultation occurred for the proposed rules in the Bellingen, Lower North Coast and Hunter macro plans and the draft plans were placed on public exhibition.

Areas of more intensive water use or with significant water issues, such as the greater Sydney area, the Great Artesian Basin and the Border Rivers are developed as individual plans. The draft Great Artesian Basin and the Border Rivers Plans were on public exhibition in 2007-08 and the Greater Sydney plan will proceed in 2009.

Table 1.1 Water Sharing Plans

Water Sharing Plans	2004-05	2005-06	2006-07	2007-08
Number of WSPs commenced	31	31	36	38
Proportion (%) of WSPs commenced	39	39	45	41*
Proportion (%) of water extraction (volume) covered by WSPs**	80	80	85	87

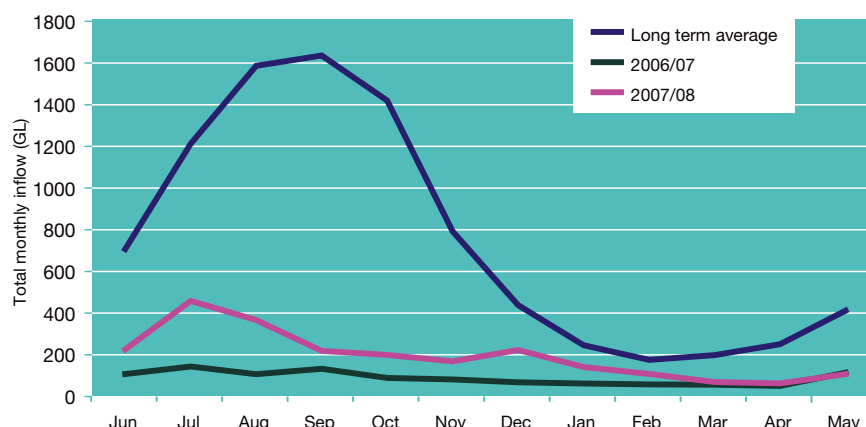
* The final number of WSPs to be completed has increased to 91 (previously 80) as it has been agreed to split some plan areas.

**The volume of water extraction covered by WSPs has been re-estimated and revised from previous year's reports to provide a more accurate assessment.

Water sharing plan rules implemented

The year was characterised by continued drought conditions across NSW. For example, in the Murray Valley for 2006-07 and 2007-08, flows were half the previous lowest two year minimum (see Figure 1.1). The Department's historical flow records for the major river systems extend back over one hundred years.

Figure 1.1 Inflows to the River Murray (including Menindee and Snowy) showing long term average and selected water years.



Although many valleys started the year with no allocations for general security users (irrigators of annual crops) and reduced high security allocations which were putting some industries at risk, rainfall over Christmas eased the situation for most of the northern inland valleys and along the coast. The Department 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, domestic and stock water to rural properties, essential industries and the survival of permanent plantings.

Only limited water was available for environmental releases as the flow rules are designed to replicate natural flow conditions as far as possible:

- An environmental release for the Gwydir Wetlands of 10 giganlitres (GL) was made in November/December 2007 which resulted in 3,900 hectares being inundated and the core areas of the wetland communities maintained.
- The combination of local rainfall, tributary flows (32 GL) and environmental releases (22 GL) resulted in flooding over some 15,000 ha of the Macquarie Marshes in late 2007/early 2008. Environmental releases targeted specific areas to support an egret and cormorant colony containing some 2,000 breeding pairs. The colony successfully hatched by late March.
- Concern for the survival of the endangered Southern Bell Frog resulted in 8.3 GL of water being released in November/December into the Murrumbidgee wetlands to protect drought refuge areas, resulting in a good breeding response.

In the unregulated rivers in the north west of the state, restrictions were placed on pumping for irrigation as supply to Broken Hill on the Lower Darling River was not secure. In January these restrictions were lifted due to increased flows resulting from the Christmas rainfall.

Floodplain harvesting policy

Floodwaters play a vital role in replenishing the floodplain and wetland environment and are an important water source for many NSW irrigators. During the year work began on developing a Floodplain Harvesting Policy to ensure works that capture floodplain water are appropriately licensed and managed, extractions are sustainable in the long term and NSW meets metering requirements under the Murray-Darling Basin Cap and the National Water Initiative. Under the policy, the amount of floodwater available for extraction in NSW will be capped and shared amongst existing water users. Works such as levees, banks and diversion channels will require an approval by DWE before being used to capture water from the floodplain.

Performance against Murray-Darling Basin Cap

A key provision of the water sharing plans 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 MDB Cap in each state.

In 2007 the IAG assessed all NSW valleys as being within the MDB Cap with the exceptions of the NSW Border Rivers and the combined Barwon-Darling and lower Darling valleys. NSW is finalising an Intergovernmental Agreement on flow sharing arrangements for the Border Rivers with Queensland, which will allow a cap to be set for the NSW Border Rivers. Diversions for the Barwon-Darling and lower Darling Rivers are now within allowable margins for MDB Cap compliance.

Since the formal introduction of MDB Cap reporting in 1995, NSW has managed its extractions so that it is cumulatively 1,700 GL below the MDB Cap. The IAG review of MDB Cap implementation for the 2007-08 water year will occur in October 2008.

Clear water rights and trading

Managing access to water

DWE is responsible for managing access to water and ensuring water is shared between the environment, towns and cities, farmers and industry as well as managing water for uses such as indigenous cultural activities.

Water licensing and water trading is managed under two different acts. Where a water sharing plan 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.

Although fewer licences are administered under the WMA2000 than under the WA1912, the WMA2000 licences cover the major areas of extraction. About 87 per cent of water extraction is now managed under the WMA2000.

New licences issued are summarised in Table 1.3. The average time taken to issue a new water access licence was 60 days, a significant improvement over previous years.

Table 1.2: Water licences managed at 30 June 2008

WMA 2000	2004-05	2005-06	2006-07	2007-08
Water access licences (current) on the Water Access Licence Register	n/a	11,290	13,894	14,704
Access licences* converted and still to be listed on the Water Access Licence Register	n/a	860	147	26
Water supply work approvals	n/a	3,080	8,245	10,247
Water use approvals	n/a	1,825	1,856	1,863
Combined approvals (water supply work and water use)	n/a	5,440	6,899	7,323
WA1912				
licences – surface	n/a	13,783	13,946	13,967
licences – groundwater (bores)	n/a	92,232	90,815	88,228

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

Table 1.3 Licensing WMA2000

New Water Access Licences*	2004-05	2005-06	2006-07	2007-08
Applications received	36	70	227	238
Applications determined and notified**	6	77	164	187
Licences registered	5	63	113	273
Average processing time (days)***	n/a	69	76	60

*New water access licences are issued for a limited range of categories in a limited range of water sources as well as for zero share components

**Includes applications brought forward from previous year

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

Licensing and approvals under the Water Management Act 2000

In water sources where water sharing plans have commenced, *Water Act 1912* (WA1912) licences are converted to access licences and water management approvals. Access licences are then listed on the Water Access Licence (WAL) Register administered by the Land and Property Information (LPI) Division of the Department of Lands.

The WAL Register is a computerised record that provides an up-to-date and publicly available record of water access licences in water sharing plan areas. It includes all licences converted from the WA1912, all new licences issued and any amendments to licences arising from water dealings.

Water access licences issued under the WMA2000 provide a clearly defined share of the available water in a particular water source that can be sustainably extracted. They also provide a clearly defined entitlement that is separate from land ownership and are valuable assets which can be bought or sold and can be used as collateral when seeking finance. As of 30 June 2008, there were 14,704 water access licences listed on the WAL Register. In areas where water sharing plans have commenced, there were 26 access licences still to be listed.

The proportion of WA1912 licences converted to tradeable water access licences under the WMA2000 has now reached 35 per cent. Note that increases in the proportion of licences held under the WMA2000 depend on commencement of water sharing plans.

Licensing under the Water Act 1912

In general a 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 13,967 surface water licences and 88,228 groundwater (bore) licences managed under the WA1912 at 30 June 2008.



Water access licences issued under the WMA2000 provide a clearly defined share of the available water in a particular water source that can be sustainably extracted

Water trading

The market in water and water trading promotes more productive and efficient uses of water and assists entitlement holders adjust to changes in water availability.

The WMA2000 provides for a range of water access licence dealings. Dealing includes water trading (the buying and selling of licences or annual water allocations) and changes to water access licences (e.g. change of category, subdivision, change of nominated work).

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 within NSW increased sharply both in transactions and volumetric terms in 2007-08 as shown in Table 1.4.

The total number of water allocation assignments (that is, temporary trading), for water sources subject to water sharing plans also increased sharply from 4,132 in the previous year to 6,438 during 2007-08. During 2007-08, NSW was a substantial net exporter of allocation water with 99,713 megalitres (ML) net exported to South Australia and 56,889 ML to Victoria.

Under the *Water Act 1912* there were no permanent transfers recorded and no temporary transfers of groundwater. Temporary transfers of surface water fell steeply to 6,965 ML, down from 21,936 in the previous year. Trading statistics are summarised in Tables 1.4 to 1.6.

Table 1.4 Permanent transfers under WMA2000 and WA1912

	2004-05		2005-06		2006-07		2007-08	
	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)	WMA2000 water sources* share units (No)	WA1912 **megalitres (No)
Interstate	436 (10)	n/a	956 (16)	n/a	747 (17)	n/a	Tagging (1)	nil
Within NSW***	40,446 (152)	7,733 (33)	210,769 (682)	100 (1)	181,190 (368)	Non recorded	421,842 (694)	nil
TOTAL	40,982 (162)	7,733 (33)	211,725 (698)	100 (1)	181,937 (385)	nil	421,842 (695)	nil

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

**Source: DWE's Licence Administration System

***Includes transfer of holder

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

	2004-05 megalitres (No.)	2005-06 megalitres (No.)	2006-07 megalitres (No.)	2007-08 megalitres (No.)
Interstate				
To Vic	16,918 (140)	39,781 (324)	42,121 (445)	71,138 (1,182)
From Vic	15,059 (59)	10,196 (28)	20,820 (336)	14,249 (454)
To SA	11,338 (33)	11,085 (30)	32,951 (231)	100,007 (1,963)
From SA	22,789 (58)	34,719 (82)	5,126 (41)	294 (5)
Within NSW	308,152 (1,681)	476,571 (2,154)	367,665 (3,079)	524,938 (2,834)
TOTAL	374,256 (1,971)	572, 352 (2,618)	468,683 (4,132)	710,626 (6,438)

Source: DWE's web-based water trading registers

Table 1.6: Temporary transfers – water sources under WA1912

	2004-05 megalitres (No.)	2005-06 megalitres (No.)	2006-07 megalitres (No.)	2007-08 megalitres (No.)
Surface water	7,012 (56)	15,127 (92)	21,936 (132)	6,965 (88)
Groundwater	49,120 (150)	25,203 (73)	37,335 (108)	nil
TOTAL	56,132 (206)	40,330 (165)	59,271 (240)	6,965 (88)

Source: DWE's Licence Administration System

Transactions administration (WMA2000)

The Department administers dealings in water access licences which include changing the location of a licence, subdividing or consolidating licences, or changing the category of a licence, but excludes transfers of holder, which are lodged directly with the Land and Property Information (LPI) Division of the Department of Lands.

The number of applications for dealings under the WMA2000 increased last year by 77 per cent over the previous year while processing times declined for the fourth year in a row. Table 1.7 summarises progress on water transactions.

Registers established by the Department of Water and Energy

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.

The website provides up-to-date information for water users and members of the public, including information relating to trading, such as volumes, prices paid and information relating to WA1912 licences and authorities. Use 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 visits in 2005-06 to 10,330 visits in 2007-08.

Land and Property Information's Water Access Licence Register

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

In 2007-08 there were 377 online searches of the WAL Register by members of the public. There were 2,629 dealings lodged, and these included 528 permanent transfers of holder and two term transfers. The number of dealings registered by LPI increased substantially in the past year (up from 1,743 in the previous year) while the number of holder transfers fell by 14 per cent.

Introduction of online security interest conversion tool

DWE has developed a new security interest conversion tool to enable online registration of security interests, such as mortgages and charges, in water access licences. This tool is on the website at www.naturalresources.nsw.gov.au/water/act_security.shtml

More information on this tool is discussed in the Organisational Capability chapter.

Seminar with solicitors

Licensing staff respond to many enquiries from agents, such as solicitors, acting on behalf of clients in relation to water transactions.

To update solicitors on processing water access licence transactions and dealings and discuss recent developments, licensing staff hosted a seminar at Narrabri in April for solicitors from north west NSW. The focus was on water trading and licence conversion processes. The presentation included a demonstration of the use of the new online security interest conversion tool which enables security interest holders to quickly resolve security interest online. A briefing was also provided to the Rural Issues Committee of the NSW Law Society.

Table 1.7: Water transactions WMA2000

Water Access Licence Dealings*	2004-05	2005-06	2006-07	2007-08
Applications received	185	354	285	506
Applications determined and notified	101	345	304	421
Dealings registered	49	273	326	439
Average processing time (days)**	144	57	33	30

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

**Includes statutory notification period

Review of Water Licence issued to Snowy Hydro Limited

DWE was required to undertake an initial five year review of the water licence issued to Snowy Hydro Limited for its operation of the Snowy Mountains Hydro-Electric Scheme. The scope of this first five year review was limited to the provisions of the licence relating to the initial release of water to the Snowy River for environmental reasons.

In December 2007, public submissions were invited by the Department to inform the five year review of the Snowy River environmental flow provisions of Snowy Hydro Limited's water licence. As a result of the submissions and some suggested changes to clarify the licence, some variations to the Snowy Water Licence are proposed. Following further public consultation, it is expected that these proposed licence variations will be incorporated into a revised version of the water licence issued to Snowy Hydro Limited.

The next statutory review of the conditions of the Snowy Water Licence will be a ten year review in 2017.

Protecting riparian corridors

The *Rivers and Foreshores Improvement Act 1948* (RFIA) was repealed on 4 February 2008 and replaced by the controlled activity provisions under Part 3 of Chapter 3 of the *Water Management Act 2000* (WMA2000). A smooth transition to WMA2000 was achieved making this a seamless experience for clients.

Works carried out in, on or under waterfront land now require a controlled activity approval (CAA) under the WMA2000 instead of a permit under the RFIA. Waterfront land includes the bed and a distance inland of forty metres from a watercourse, estuary or lake – defined as the riparian corridor.

Benefits from repealing the RFIA and implementing controlled activity approvals include strengthened environment protection provisions under the WMA2000, strengthened compliance powers and single legislation dealing with water management.

The legislation has been used as the prime tool for protecting and restoring rivers and creeks. Implementation 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 per cent increase in property values for lots with riparian frontage, reflecting the visual and other amenity attributes that riparian corridors provide.

In 2007-08 a total of 771 applications were assessed, determined and conditioned (499 under RFIA and 272 under controlled activity approval) to protect and enhance the riverine ecosystems. Ninety per cent of applications were determined within statutory timeframes.

Water metering and usage monitoring

Most water extraction from regulated rivers in NSW is metered and monitored by State Water Corporation. In contrast, many groundwater sources and almost all unregulated streams have little or no metering. Overall, currently 34 per cent of licences are metered. Hence, checking a licensee's compliance with volumetric entitlement and charging for water on the basis of usage is difficult.

The installation, maintenance and reading of water meters is currently the responsibility of the licence holder under the supervision and audit of DWE. NSW has received in-principle approval for Commonwealth funding of \$131 million for metering groundwater and unregulated streams and \$90 million to replace existing regulated rivers meters with government-owned meters that are telemetered (data transferred electronically) and meet the national standards. Over the next five years approximately 5,500 meters will be replaced on the regulated rivers and 4,000 meters installed on the unregulated rivers and 8,000 meters in the groundwater systems.



DWE undertakes surveillance on waterways and on land to ensure compliance with legislation

Water compliance monitoring

DWE has overarching responsibility for the regulation of surface, river and groundwater in NSW. A critical part of the regulatory function is monitoring, encouraging and maintaining community compliance. The compliance function is important to ensure equitable sharing of water for all users, including the environment. To ensure compliance the Department works closely with other agencies such as State Water Corporation, Department of Primary Industries and the Commonwealth.

DWE implements its compliance role through:

- Community education and engagement to promote voluntary compliance
- Monitoring water resource activities across the state to deploy pro-active programs and to identify potential breaches in a timely manner
- Investigating alleged breaches
- Taking appropriate action when a breach occurs.

A number of compliance operations were conducted around the state focusing on areas and issues assessed as being high risk, including:

- Bore licence holders in the Murray Irrigation Area
- Bore licence holders in the Botany Groundwater Area
- Water extraction from the Wingecarribee River
- Surface water licence holders in the Bourke area
- Town water use in Deniliquin while a section 323 order was in effect
- Bore drillers operating in the Great Artesian Basin
- Bore licence holders in the Leeton area
- Surveillance of irrigators on the Murray River.

The ongoing drought increased pressure on the state's water resources and increased the benefit from and potential motivation for water theft. Other significant challenges for DWE's regulatory function are the safety and evidentiary requirements of the work. Operational compliance officers must be accompanied by another licensing or compliance officer when attending properties or interviewing people. Investigations and their associated outcomes under the water legislation are shown in tables 1.8 and 1.9. These include matters finalised, but not those currently under investigation.

Table 1.8: Compliance investigations

Act	Investigations	2004-05	2005-06	2006-07	2007-08
<i>Water Act 1912 and Water Management Act 2000</i>	Total number of investigations*	n/a	114	115	118
	Percentage (%) and number finalised**	n/a	(68) 78	(46) 53	(29) 32
	Number of ongoing investigations***	n/a	36	62	86
<i>Rivers and Foreshores Improvement Act 1948 ****</i>	Total number of investigations	n/a	81	42	18
	Percentage (%) and number finalised	n/a	(65) 53	(83) 35	(39) 7
	Number of ongoing investigations	n/a	28	7	11

* The total number of investigations commenced during the financial year

** When an investigation is finalised an outcome is determined (compliance action and/or no compliance action). Refer to Table 1.9 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 financial year.

**** The RFIA was repealed on 3 February 2008.

Table 1.9: Compliance outcomes

Act	Outcomes of completed investigations	2004-05	2005-06	2006-07	2007-08
Water Act	No compliance action*	n/a	47	35	17
	Warning/negotiation	n/a	30	28	4
	Remediation agreement	n/a	0	0	0
	Remediation notice	n/a	4	1	5
	License suspension	n/a	1	0	0
	Prosecution	n/a	0	0	0
WM Act	No compliance action*	n/a	18	10	12
	Warning letter	n/a	10	19	18
	Stop work order	n/a	0	0	0
	Remediation agreement	n/a	0	0	0
	Remediation notice	n/a	1	4	1
	Penalty notice	n/a	2	0	17
RFI Act**	No compliance action*	n/a	38	16	4
	Warning letter	n/a	21	17	1
	Stop work order	n/a	2	0	0
	Remediation agreement	n/a	5	6	0
	Remediation notice	n/a	21	3	6
	Prosecution	n/a	0	1	0

* This figure represents the total number of cases that have an outcome recorded as 'No compliance action'. The 'No compliance action' outcomes include a range of reasons such as 'Actioned by other agency', 'Advisory letter', 'Authorised', 'Decided not to pursue', 'Exclusion', 'Exempt', 'No clearing/works', and 'Not covered under Act'. For complex cases there may be more than one 'No compliance action' and/or multiple 'Compliance actions'.

** The RFI Act was repealed on 3 February 2008

The level of compliance with legislation and statutory instruments was found to be variable. Compliance activities conducted by DWE in 2007-08 found good levels of compliance in some areas and lower levels of compliance in others. For example, an operation conducted in the Leeton area investigating compliance with bore licence conditions found that the majority of landholders investigated were complying with licence conditions, whereas an operation conducted in the Murray Irrigation Area found that about a third of landholders investigated were not complying with licence conditions.

Strategic compliance project in the Macquarie Valley

In December 2007 the NSW Wetland Recovery Program, which is jointly funded by the state and Commonwealth Governments, provided funding for a \$400,000 strategic compliance project in the Macquarie Marshes. The project is being led by DWE in partnership with the NSW Department of Environment and Climate Change, the NSW Department of Primary Industries and the Commonwealth Department of the Environment, Water, Heritage and the Arts.

The project was initiated in response to concerns about water management and a decline in the extent and condition of the wetlands of the Macquarie Marshes. Running until mid 2009, it aims to identify structures that impact on the delivery and effectiveness of environmental flows and to determine whether such structures are authorised and are operating within conditions. For structures that are not authorised, appropriate compliance action will be undertaken. For structures that are authorised but are impacting on flows, steps will be taken to determine how these structures could be modified or managed to ensure environmental flows are delivered to targeted wetland assets.

Industry adjustment and improved water environments

Achieving Sustainable Groundwater Entitlements Program

The Achieving Sustainable Groundwater Entitlements Program is a joint \$135 million program between the NSW and Commonwealth Governments. The goals are to reduce the use of groundwater to the sustainable yield set in the water sharing plans for the six major inland groundwater aquifers over the ten year period of the plan and to minimise the impacts of the reductions through financial assistance to affected licence holders.

Of the \$125 million allocated for payments to licensees, \$95.2 million had been paid to impacted licence holders in the upper and lower Namoi, lower Gwydir, lower Macquarie, lower Murray and lower Murrumbidgee groundwater areas by the end of June 2008. This comes on top of the \$11.2 million paid to licence holders in the Namoi under the earlier Namoi Groundwater Structural Adjustment program. Payments to the lower Lachlan groundwater licensees are expected to commence in October 2008.

A further \$9 million in funding for Community Development Projects will proceed as soon as approval is received from the Commonwealth Government.

Cap and Pipe the Bores program

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 and Pipe the Bores program, through replacing bore drains with efficient piped reticulation schemes aims to reduce water loss occurring in the antiquated open bore drains, improve water use efficiency and to sustainably manage the natural resources of the Great Artesian Basin.

The Great Artesian Basin Sustainability Initiative (GABSI) agreement commenced in July 2004 between the Commonwealth and NSW Governments. The program is jointly funding the \$32 million Cap and Pipe the Bores program in NSW until June 2009.

Benefits include improved water use efficiency, recovery of artesian pressure, re-activation of mound springs, reduced salinity, reduced greenhouse gas emissions, biodiversity conservation, feral animal control and the adoption of improved land management. In addition, landholders who have capped and piped their bores say that a reliable and strategically placed water supply significantly reduces the impact of the drought.

The financial ability of landholders to participate in the program was affected by the drought. This year eleven high flowing artesian bores have been included in the program for rehabilitation, 403 kilometres of bore drains will be decommissioned on 43 properties saving 3,067 megalitres of water a year. Table 1.10 shows the achievements of the Cap and Pipe the Bores program over the past four years.

There remains a significant number of uncontrolled low flow bores in NSW and negotiations have commenced with the Commonwealth Government to extend the program for a further five years from July 2009 to June 2014.

Table 1.10: Cap & Pipe the Bores

Parameter	2004-05	2005-6	2006-7	2007-8
Bores treated	40	25	20	11
Free flowing bores yet to be controlled	346	321	301	290
Water savings (megalitres / year)	7,821	2,879	10,379	3,067
Properties involved	120	53	130	43

Darling River Water Saving project

Through the Darling River Water Saving project a range of options are being investigated to improve the water supply and management of the entire Darling River system. The report on Part A of this project was released in April 2007 and outlines six potential water saving schemes aimed at reducing the losses from the Menindee Lakes by as much as 180 gegalitres (GL), securing water supply for Broken Hill and high security users, increasing water use efficiency, and delivering water for the environment. The NSW and Commonwealth Governments have each committed \$650,000 to Part B investigations which will commence late in 2008. The Commonwealth Government has also given in-principle approval for funding of up to \$400 million to undertake the construction of the recommended works.

Temporary water saving projects

The water supply situation facing the Murray Valley remained critical throughout 2007-08. DWE instigated a number of temporary water savings measures in the Murray and Wakool river systems. The following measures, agreed to by the Murray-Darling Basin Ministerial Council, could save up to 35 GL:

- 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)
- Draining of the Euston Lakes and provision of alternative water supply (funded by the Murray-Darling Basin Commission).

In addition, normal replenishment flows to a number of creeks systems had to be suspended in the Murray. However over the summer months a replenishment flow was reinstated for domestic and stock supply and environmental water for the Wakool, Colligen, and Neimur River systems as well as the Merran Creek system. With the assistance of the State Water Corporation and Murray Irrigation Limited, 6 GL of environmental water and 24 GL of domestic and stock replenishment water were able to be efficiently provided. As a result:

- 95 per cent of households in these systems were provided with water for basic needs
- 13 critical fish refuges were maintained
- water quality was generally improved
- riparian and in stream vegetation condition was improved.

Structures within the Wakool / Neimur River supply system and the Merran Creek system were also improved to ensure more efficient delivery.



Full stream width pile fields at Boiling Downs Creek – expected to alter flows entering the anabranch

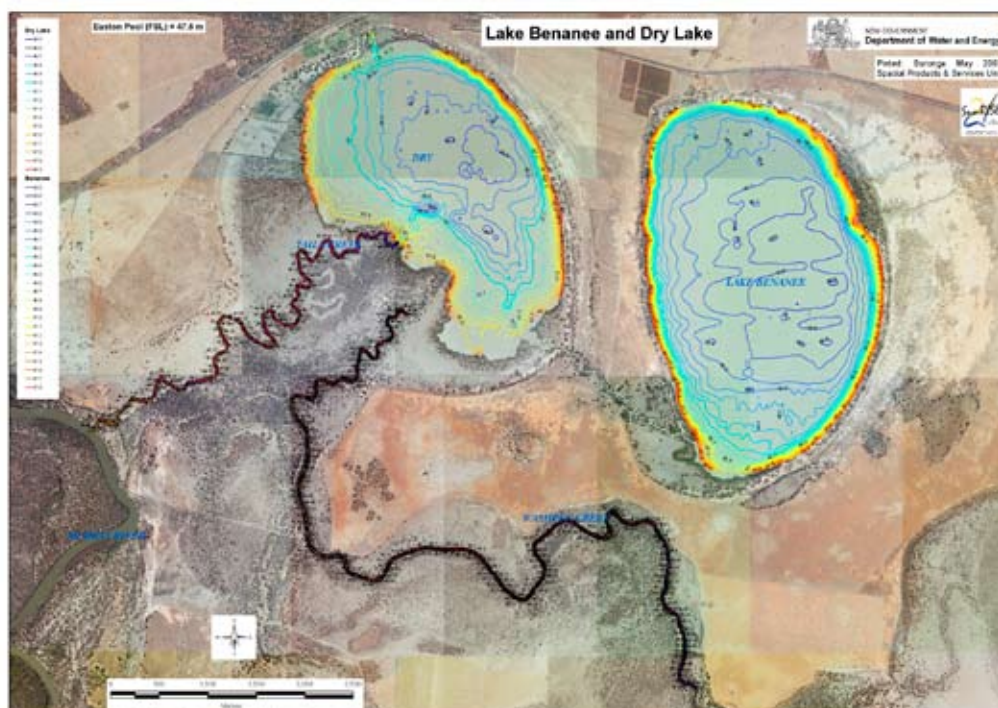
Environmental works and measures

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 Murray-Darling Basin Commission 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
- Rehabilitation of Moira Lake and the Chowilla Floodplain.

The River Works and Maintenance Program is an MDBC investment of \$2.7 million 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 (see photo above). Similar works are also undertaken in the upper Murray and Tumut Rivers for Snowy Hydro and the MDBC.



Bathymetric survey of Euston Lakes provided an accurate understanding of depths, volumes, refuge habitat and water supply considerations when developing the drought water recovery program for the Lakes.

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 Commonwealth, NSW and Victorian Governments have committed \$375 million over eight years to achieve targeted total water savings of 282 GL.

Operating as Water for Rivers, the JGE commissions environmental and riverine works as agreed by the member governments. By June 2008, 140.5 GL of water had been

recovered, of this 115.7 GL comes from water recovery projects within NSW. So, the proportion of the Snowy Joint-Government Enterprise water savings target achieved had reached 50 per cent and NSW projects contributed 82 per cent of these savings.

During the year work was completed on stage two of the Forest Creek alternative water supply scheme – which will save a total of 23.4 GL of water – as well as on-farm works and water licence purchase.

Table 1.11: 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	2007-08
Edward River wetlands	(7.1)*			
Forest Creek stage 1	11.3			
Barren Box swamp	n/a	20.0		
Forest Creek stage 2			15.0	8.4
Coleambally channel automation			3.5	
Water purchase				35.5
On-farm reconfiguration				22.0
Annual total	11.3	20.0	18.5	65.9
Cumulative total	11.3	31.3	49.8	115.7

* This water was lent to the Snowy for environmental releases from the Living Murray Initiative and has now been returned. The Living Murray Initiative is a separate program which seeks to recover 500 GL of water for the River Murray. NSW's involvement in the Living Murray is managed by the NSW Department of Environment and Climate Change.



Snowy River low flow gauging

Snowy River Flow Response Monitoring and Modelling program

The Snowy River Flow Response Monitoring and Modelling program aims to measure the ecological response to a new hydrological regime and to develop decision support tools to assist stakeholders in developing ecologically relevant flow rules. The program is currently in a major reporting phase with the completion of six Departmental reports assessing these two objectives.

The first series of reports primarily focus on defining the ecological changes to the Snowy River following the first stage environmental flow releases to the river via the Mowamba River. The results to date indicate that the first stage release of 1.9 to 3.4 per cent mean annual natural flow (MANF) generated:

- A small increase in daily and seasonal flow variability, in the 0 to 523 ML/day discharge range
- An increase in median daily discharge in the Snowy River at Dalgety from 42 ML/day before the environmental flow release to 84 ML/day with the environmental flow release.

These hydrological changes were limited to the upper reaches of the Snowy River.

The other reports focus on demonstrating rigour in the scientific methods applied or address specific short term management questions, such as the size of river flow required to move river sediment, the flows required to enable fish passage or the impact of the 2002-03 wildfires on the ecology of the river.

The information and models generated from the program will be used to assist in developing evidence based environmental flow rules for the Snowy River. In the long term the program will continue to measure the ecological response associated with the environmental flow regime.

Blue-green algal management

Blue-green algal blooms pose a major water quality and public health risk to water users, as a number of common bloom-forming species may produce potent toxins and all can produce contact irritants. Blue-green algal monitoring and, if necessary, treatment is conducted regularly to help manage blooms and to reduce their impacts on town water supply, recreational activities and domestic and stock usage.

Algal management is undertaken by nine Regional Algal Coordinating Committees, which collectively cover the entire state. While membership involves a range of state and local government and community representatives, coordination of the committees and their management activities lies with DWE.

Warnings are issued whenever monitoring data indicate that blue-green algal concentrations have exceeded the red alert guideline set for recreation. Red alerts were current for ten weeks at several sites along the mid Darling River, but otherwise there were few major blooms in NSW rivers during 2007-08. Extended red alerts did however occur in several State Water Corporation reservoirs, with Pindari, Copeton, Windamere and Burrendong Reservoirs being the worst affected. There were also extended red alerts at several small water bodies managed by local government in the Hunter and Sydney areas and at Griffith. Management included notification to the public, erection of signs at points of public access and liaison and advice to Councils and other managers.

Informed decisions

NSW Natural Resources Monitoring, Evaluation and Reporting Strategy

The NSW Government State Plan Priority E4 has established thirteen resource condition and socio-economic targets against which it will measure its performance between now and 2015.

In August 2006 the NSW Natural Resources Monitoring, Evaluation and Reporting Strategy was endorsed by Cabinet and put into effect. This strategy outlines how natural resource management will be coordinated across the natural resources and environment agencies in NSW and how it may be possible to integrate current and proposed monitoring programs to meet several reporting and data provision obligations, namely the state-wide resource condition targets, catchment management targets and State of the Environment reporting.

DWE has the task of monitoring and reporting progress towards the Riverine Ecosystems target and the Groundwater target. These two targets:

- “By 2015 there is an improvement in the condition of riverine ecosystems”
- “By 2015 there is an improvement in the ability of groundwater systems to support groundwater dependent ecosystems and designated beneficial uses”

are being reported by DWE in conjunction with the Department of Environment and Climate Change (DECC) and the Department of Primary Industries.

For rivers, DWE is monitoring the presence and condition of native and alien fish, macroinvertebrates (water bugs)

and hydrology as measured by the protocols adopted across the Murray-Darling Basin by the Sustainable Rivers Audit and this methodology has been expanded to include all the coastal river valleys. In addition the Department maintains a water quality sampling network in all major river valleys and data generated by this is also being used to assess the quality and associated trends.

For groundwater, there is as yet no agreed protocol for identifying and assessing groundwater dependent ecosystems. This means that current reporting against this target can only consist of some assessment of sustainable yield, until such time as there is a process for identifying and assessing groundwater dependent ecosystems. DWE is currently working collaboratively with DECC and at a national level to resolve this complex issue and thereby allow reporting against the Government's target to occur.

Resource monitoring

DWE provides the largest source of information on NSW's water resources with records of river flows at various locations across the state extending back more than 100 years.

To assist with monitoring water resources, new monitoring sites, particularly in the groundwater area, have been installed. Tables 1.12 and 1.13 show the new and total number of sites monitored by DWE.

A Commonwealth funded project to increase the number of groundwater monitoring bores to evaluate surface and groundwater interactions has been delayed by the unavailability of drillers who have been engaged in sinking additional water supply bores during the current drought.

Table 1.12: New sites installed

New sites installed	2004-05	2005-06	2006-07	2007-08
Fully instrumented surface water monitoring sites	6	7	4	33
Minimally instrumented surface WSP site	10	2	8	0
Fully instrumented groundwater monitoring sites	27	42	62	29

Table 1.13 Total operational monitoring sites

Total operational monitoring sites	2004-05	2005-06	2006-07	2007-08
Surface water continuous sites*	950	930	933	949
Continuous groundwater sites	600	600	650	677
Grab sample water quality sites	460	370	427	359
Manual groundwater sites	4,900	4,575	3,913	3,162

*Includes continuous water quality sites

Real time data collection

DWE operates a 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 and also assists in providing data for flood warnings.

This information is collected, processed and automatically sent to key clients including State Water, the Murray-Darling Basin Commission and the Bureau of Meteorology and is also made available on www.waterinfo.nsw.gov.au.

Water resource information online

The information from the NSW Government's Waterinfo website is managed by DWE and includes data from other state agencies, in particular the Department of Commerce's Manly Hydraulics Laboratory and State Water.

The website receives over two million hits a year providing real and near real time water data as well as information from the Department's monitoring programs, including:

- NSW Provisional River Data – real time stream water level data to at least 6:00 am on the current day shown 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
- NSW Groundwater Works – reports of the construction details of registered bores.

The following graphs show the type of river data that can be obtained. A priority project for implementation in 2008-09 is the first phase development of an electronic

water information exchange (WIX), a joint initiative between DWE and State Water Corporation. 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 the water sharing plans and the National Water Initiative by providing detailed and timely data and information.

Murray-Darling Basin Sustainable Yields Project

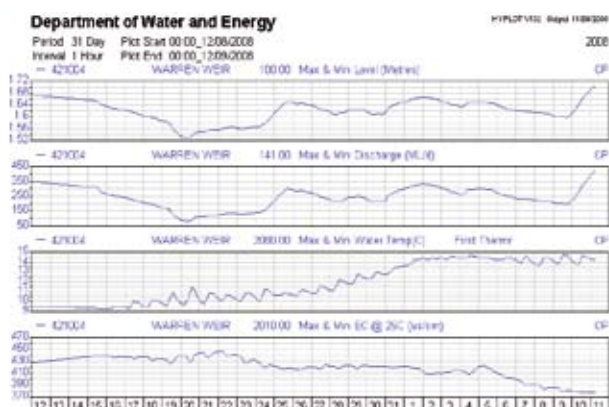
The CSIRO Murray-Darling Basin Sustainable Yields Project resulted from the Summit on the Southern Murray-Darling Basin in November 2006. The project undertaken by the CSIRO provides basin-wide estimates of water availability on an individual catchment and aquifer basis, taking into account climate change and other risks.

The regional reports have been released progressively by the CSIRO with the final report – for the Murray Region – released in early July 2008. A summary report for the whole of the Basin is expected later in 2008. DWE provided surface water and groundwater models and technical advice and review to the CSIRO for the project.

The challenge for NSW is now to use the information contained in the CSIRO project to move forward collaboratively with the new Murray-Darling Basin Authority in the development of the Basin Plan.

Future climate and runoff projections for NSW and ACT

DWE undertook a detailed study to examine the potential impacts of climate change on future – to 2030 – rainfall and runoff generation in NSW and ACT. The study presents the range of runoff modelling results using climate change projections from fifteen global climate models (GCM) for the Special Report on Emissions Scenarios A1B global warming scenario for the whole of NSW and ACT. The results provide a detailed understanding of the impacts of future climate on runoff and water availability across the region. This is the first comprehensive climate change modelling work done in NSW. The study provides a consistent future climate and runoff dataset which can be used by all NSW Government agencies and industries to plan for and adapt to the impacts of climate change.



Integrated Monitoring of Environmental Flows program

The Integrated Monitoring of Environmental Flows (IMEF) program is a scientific program that monitors the ecological benefits provided by the implementation of environmental flows, provided for by water sharing plans for the state's regulated rivers. Some of these benefits include reduced algal blooms, increased biodiversity, more abundant native fish and more natural ecosystems. IMEF estimates the likely long-term effects of these flows and, in doing so, produces the scientific information that is needed to review ecological objectives of the water sharing plans and whether the plan's provisions have been effective in meeting them.

IMEF works in partnership with leaders in environmental flow assessment science across universities, CSIRO, and the eWater and Cotton Catchment Communities Cooperative Research Centres. Recently published studies from IMEF describe the impacts of human modified river flows on fish communities across NSW, climate and river flow effects on colonial nesting birds in Lachlan River wetlands and the use of environmental flows for suppression of algal blooms in the Barwon-Darling. IMEF continues to assess the effectiveness of environmental water provisions across NSW, including a study on the effects of bulk water transfers on riparian, geomorphic and platypus health in the Cudgegong River.

Cost recovery for water management services

The Independent Pricing and Regulatory Tribunal (IPART) sets the maximum prices that can be levied by DWE, on behalf of the Water Administration Ministerial Corporation, on bulk water users for its water management services and for administering water management transactions, such as issuing water licences and approvals and water trading. IPART released its pricing determination in September 2006 for the four years to 30 June 2010.

The fees and charges provide for progress towards full cost recovery, consistent with national water reforms, including the 1994 Council of Australian Governments Strategic Water Reforms and the National Water Initiative. 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 state-wide basis, full cost recovery will be achieved by 98 per cent of regulated river valleys, 88 per cent of unregulated river valleys and 75 per cent of groundwater areas.

The price path provides farmers and other bulk water users with a greater degree of certainty and control for their business planning. It also assists the Department 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 to government and communities for water well drilling, particularly for the drilling of very deep bores. Significant projects this year included:

- Completion of test drilling and production bores for the Kangaloon borefield for Sydney Catchment Authority as part of the Metropolitan Water Plan
- Completion of stage one of production bores for Napiac borefield as part of a program to drought-proof the township of Forster and surrounds for Mid Coast Water
- Four new artesian bores and capping thirteen bores for the Cap and Pipe the Bore program
- Seven deep monitoring bores in the North Star area to allow dedicated monitoring for the Great Artesian Basin intake beds groundwater plan
- Deep monitoring bores in the Murrumbidgee and Murray groundwater management areas
- Monitoring bores at South West Rocks for monitoring the Kempsey township borefield impacts on the local ecosystem
- Thirteen bore sites for upper Darling Salinity Interception Scheme investigation.

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 local water utility (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.

State Plan targets

DWE is the lead agency for State Plan Priority E1: *A secure and sustainable water supply for all users.*

State Plan Priority E1 targets for metropolitan water use are:

- Increase water recycling: increase the volume of water recycled from 15 billion litres per year to 70 billion litres per year by 2015
- Improve efficient water use: save 145 billion litres of water by 2015, representing almost a 25 per cent reduction from Sydney's projected water demand in that year
- Meet reliability performance standards for water continuity and quality.

State Plan Priority E1 targets for urban water use in non-metropolitan areas are:

- Meet reliability performance standards for water continuity and quality
- Improve efficiency and recycling in regional centres.

In addition, DWE contributes to State Plan Priority P2 focusing on investment in infrastructure and State Plan Priority P6, focusing on regional NSW.

Major outcomes achieved

- Coordinated implementation of the Metropolitan Water Plan including a range of major projects delivered by various agencies across the NSW Government to secure Sydney's water supply. These projects mean Sydney's water needs are met in the face of drought, population growth and the potential impacts of climate change.
- Supported the Metropolitan Water Independent Review Panel of experts. The Panel provides expert advice to the Premier and monitors progress of the Metropolitan Water Plan, including input to the four-yearly reviews of the Plan.
- Published the 2007 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 the NSW Government was on track in its plan to secure Sydney's water supplies and that 97 per cent of milestones had either been achieved or were on target towards achievement.
- 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. The Water Industry Competition (Access to Infrastructure Services) Regulation was gazetted in December 2007.
- Further encouraging the appropriate use of greywater, DWE continued to administer and manage guidelines, fact sheets and a self assessment process and ran training for councils to support best practice management of greywater systems.
- To protect public health and assist councils and the private sector, DWE published the NSW Guidelines for the Management of Private Recycled Water Schemes and ran training for councils in the assessment of recycled water project applications
- To better understand impacts that climate change and climate variability may have on Sydney's water availability and water demand, work has progressed on a significant research project initiated by the NSW Government and conducted collaboratively between DWE, the CSIRO and a range of agencies and academic organisations. The results of this study are expected to be available in early to mid 2009.

- DWE delivered a range of programs under the \$15.7 million Water for Life 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. Programs in 2007-08 included public information campaigns, capacity building and targeted community education projects.
- The volume of recycled water has risen from 15 billion litres to over 25 billion litres a year.
- The Country Towns Water Supply and Sewerage (CTWSS) Program has now completed nearly 350 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.
- DWE assisted local councils in managing their water supplies during the drought. At the peak of the drought in June this year, water was being carted to four communities and 59 communities were in danger of water supplies failing within three months. A total of 25 projects received financial assistance from the State Government to enhance the drought security of town water supplies.
- To improve health outcomes in over 60 Aboriginal communities the Government has announced a joint program with the NSW Aboriginal Land Council worth \$205 million over the next 25 years and run by DWE to improve water supply and sewerage services in these communities.
- DWE has prepared a discussion paper for the Inquiry into the institutional and regulatory arrangements by which town water supply and sewerage services are provided in country NSW.
- Supported by DWE, 79 LWUs are committed to undertaking Integrated Water Cycle Management 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.
- Average annual residential water supplied per property for non-metropolitan NSW has fallen by 44 per cent over the past 16 years to 185kL/annum – lower than all the other Australian states.
- Ninety 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 the water corporations of over \$106 million under the water utility concession programs.

Key performance indicators

Proportion of Metropolitan Water Plan targets/milestones achieved	97%
Proportion of greater Sydney residents taking action often to conserve water	74%
Annual number of additional people benefiting from water supply system improvements in non-metropolitan NSW	34,000
Annual number of additional people benefiting from improved sewerage systems in non-metropolitan NSW	34,000
Population in non-metropolitan NSW with a reticulated sewerage service	1.7 million (94.6% coverage)
Proportion of requirements of Best-Practice Management Guidelines met by LWUs	77% up from 65% last year

Urban water utilities Performance report

In order to manage this key result area effectively, DWE has arranged the outcomes into two broad areas. Urban water management:

- In the Sydney Greater Metropolitan and Hunter areas
- In non-metropolitan NSW.

Metropolitan Water Services

The Metropolitan Water Plan

A key accountability of the Department is ensuring the development, implementation and review of the Metropolitan Water Plan. The Plan describes how the NSW Government will secure Sydney's water supplies while improving river health.

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. It is renewed periodically to reflect recent decisions and developments, including changes in community behaviour, improved understanding of climate change impacts and advances in technology.

The core elements of the Plan are:

- Increasing and diversifying Sydney's water sources to insure against drought and 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 and meet 12 per cent of Sydney's water needs by 2015
- Using water more wisely – water efficiency measures will save 145 billion litres of water a year and reduce Sydney's water needs by 24 per cent by 2015
- Protecting the environmental health of rivers
- Creating a competitive and dynamic water industry to enable the private sector to be innovative and increase recycling.

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, which also includes chairing the Metropolitan Water Chief Executive Officers' Committee and providing the secretariat and other support to the Metropolitan Water Independent Review Panel (the Panel). The Panel provides expert advice to the Premier and monitors progress of the Metropolitan Water Plan, including input to the four-yearly reviews of the Plan.

DWE published the annual Progress Report on the Metropolitan Water Plan, which was endorsed by the Panel and released by the Government in September 2007. This outlined that the NSW Government was on track to secure Sydney's water supplies and in total 97 per cent of milestones had either been achieved or were on target towards achievement. This equates to 32 milestones which had been completed, 43 which were on track and only two which had been delayed.

In addition, the Department is itself responsible for and has delivered a number of Plan initiatives related to increasing recycling, protecting and restoring river health, understanding climate change, competition reforms for the water industry and management of the Water for Life Education Program.

Increasing and diversifying water supplies

The Department has worked with key agencies such as Sydney Water Corporation (SWC) and the Sydney Catchment Authority (SCA) to implement key projects under the Metropolitan Water Plan. For instance, SCA has modified its infrastructure and installed new pumps to access deeper parts of the Warragamba dam and the Nepean dam, increasing long term water availability by 40 billion litres a year.

Work is also well progressed on the construction of the Kurnell desalination plant which will be able to provide up to 15 per cent of Sydney's water needs. The plant will effectively be powered from 100 per cent accredited renewable energy and will be operational by summer 2009-10.

Understanding the impacts of climate change

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

The Department is currently participating in research to project the effects that climate change and climate variability may have on Sydney's water availability and water demand including:

- higher temperatures
- changed rainfall patterns
- changes to evaporation.

To better understand potential climate change impacts on water supply, further work specifically targeted to Sydney has been commissioned, including a significant research project initiated by the NSW Government and being conducted collaboratively between DWE, the Department of Environment and Climate Change, CSIRO, University of New South Wales, SWC, SCA and the Commonwealth Department of Climate Change.

The results of this study are expected to be available by mid 2009. It is anticipated the results of the research project will inform decisions regarding the future mix of measures best suited to meeting Sydney's water needs and to manage the risk associated with climate variability and climate change.

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.

Increasing recycling

Under the Metropolitan Water Plan, water recycling will provide twelve per cent of Sydney's water needs by 2015. The recycled water will be used for non-drinking purposes like industrial use, irrigation, toilet flushing and garden watering.

DWE coordinates the Plan and has worked with SWC and key organisations to increase the volume of recycled water from 15 billion litres to over 25 billion litres a year by the end of 2007-08, through projects such as the commissioning of Australia's largest industrial recycling project in Wollongong and other projects described below.

In addition, key work implemented in 2007-08 by the Department includes:

- Working to improve the regulatory and institutional structures to encourage participants other than SWC to provide recycled water services.
- Providing training and significant advice and support to councils and operators for the development and operation of appropriate decentralised recycling systems in accordance with the *NSW Guideline for the Management of Private Recycled Water Schemes* administered by the Department.
- To encourage the appropriate use of greywater, DWE continued to administer and manage guidelines, fact sheets and a self assessment process and ran training for councils to support best practice management of greywater systems.

Other recycling schemes

The Department was involved in facilitating a number of water recycling proposals on behalf of the Government, both within Sydney and regional NSW. DWE is the key point of contact for proposals where the private sector is the proponent.

In fulfilling this role, the Department must liaise with SWC and other key NSW Government agencies in order to provide technical and commercial advice to each proponent.

The large scale schemes and individual efforts have boosted Sydney's recycling volume from 15 billion litres per annum in 2005-06 to over 25 billion litres a year by the end of 2007-08. These figures are expected to increase again during 2008-09. Some of the significant projects include:

- Australia's largest residential recycling scheme at Rouse Hill where 17,500 homes are currently being supplied with recycled water and this is expected to increase to 36,000
- 180,000 new homes in the North West and South West Growth Sectors planned to be supplied with recycled water
- 20 million litres of recycled water being used at BlueScope Steel's Port Kembla operations (equivalent to 17 per cent of the Illawarra's water use)
- The Western Sydney Recycled Water Initiative will produce up to 50 million litres of recycled water each day by 2010.

Water efficiency to reduce demand for water

Water efficiency measures will save 145 billion litres of water a year and reduce Sydney's water needs by 24 per cent by 2015.

The Department, in conjunction with other agencies, has undertaken a number of activities under the Water for Life Education Program to inform Sydneysiders about the value of water and the role of the Metropolitan Water Plan. These activities are outlined later in this section.

This work, in conjunction with other demand management programs such as BASIX and Sydney Water's WaterFix and Every Drop Counts programs, has helped to reduce per capita water use to levels equivalent to the early 1970's, despite an increase in population of around 1.3 million people.

Improving river and catchment health

Maintaining and improving the health of the rivers that supply Sydney with water is an important part of the Metropolitan Water Plan. DWE 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*.

The Department's management and review of the Metropolitan Water Plan has been a key mechanism through which environmental outcomes have been balanced with the needs of the Sydney community.

Two important developments progressed by DWE during 2007-08 are outlined below:

1. Changes to environmental flows in the Hawkesbury-Nepean River system

In March 2008, DWE amended the Water Management Licence of the SCA to restore environmental flow releases from dams in the upper Catchment to their pre-drought levels.

The licence was also amended to include the release of variable environmental flows from Avon Dam for the first time since its completion in 1928. These releases mimic the natural pattern of high and low flows and are expected to improve the health of the Avon River immediately downstream of the dam, and from early 2010, will also contribute to improved river conditions in the lower Hawkesbury-Nepean River.

2. Water sharing plans

Sydney's naturally occurring freshwater must be shared between the environment, agriculture, industry and urban consumers. Water sharing plans 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, thus ensuring water for the environment is protected.

The Department advanced its drafting of water sharing plans for the river and groundwater systems of the metropolitan region after resolving some technical and policy issues. Consultation on the draft water sharing plans, including formal public exhibition, will occur in 2009 so that the community can provide feedback on the proposed water sharing rules.

Competition reforms to encourage innovation and recycling

In 2006, DWE facilitated the development and implementation of an innovative package of competition reforms including Australia's first state-based access regime under the *Water Industry Competition Act 2006*. 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 Water Industry Competition (Access to Infrastructure Services) Regulation was gazetted in December 2007.

The broad 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 this state-based access regime to make it easier for the private sector to invest in recycling and to facilitate the best use of existing infrastructure.

The *Water Industry Competition Act 2006* 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 a regulation to support the licensing provisions of the Act.

The Department has also 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.

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 \$15.7 million in Water for Life, 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. Water for Life is managed by the Department.

The Water for Life Education Program is a coordinated, whole of government approach to water education delivered through four key strategies:

- Water for Life communications campaigns and website – encouraging the wider Sydney community to keep up water saving efforts in order to reduce demand for water and increasing community understanding of the range of NSW Government initiatives to secure greater Sydney's water
- Coordinating all water education through the *Water Education Plan for greater Sydney 2008-2011* and by building partnerships between state, local and non-government organisations
- Capacity building – providing professional learning, resources and tools, and supporting a network of water educators delivering leading practice water education projects
- Targeted on-the-ground education projects – innovative partnerships to engage priority sectors of the community.

Avon Dam – licence is to include the release of variable environmental flows



DWE supports an inter-agency Water Education Group comprising communications professionals from Sydney Water Corporation, Sydney Catchment Authority and the Department of Environment and Climate Change which oversees water education across Government. DWE also supports a reference group that includes key non-government stakeholders in water education. Representatives include state, local and key non-government organisations.

Informing the community

In 2008 the Department led delivery of a public information campaign to encourage wise water use and increase community awareness of the significant progress made in securing Sydney's water supply. Key indicators of the outcomes of the campaign and other education include:

- A reduction in per capita demand for drinking water of eight per cent from 2005-06 to 2007-08
- An increase in the number of people taking regular action to reduce consumption from 65 per cent in 2005 to 74 per cent in 2007-08, the equivalent of around 3.2 million people
- An increase in awareness of the range of strategies being implemented by Government, business and the community to secure Sydney's water supply from 68 per cent in 2005 to 85 per cent by June 2008.

Water for Life education campaign has generated a significant reduction in per capita demand for drinking water



Building the capacity of water educators to deliver water education

In conjunction with the Reference Group, the Department consulted key stakeholders in the development of the Water Education Plan for greater Sydney 2008-2011. This Plan demonstrates the NSW Government's leadership and works toward broad alignment of activities and outcomes of state, local and non-government water education with the objectives of the Metropolitan Water Plan.

The Department held the inaugural Water for Life Forum in September 2007. This Forum was opened by the former Minister for Water, the Hon Nathan Rees, and was attended by over 100 water educators and managers from state, local and non-government organisations.

The Water Education Resources Hub was also launched at www.waterforlife.nsw.gov.au/education to provide a range of tools, tips, resources and links to professional development and events for those working to educate the community about water.

Targeted education partnership projects

In 2007-08, DWE managed the funding for several programs through the Water for Life Education Program. These included:

- A partnership with the Ethnic Communities Council of NSW which trained 70 volunteers from non-English speaking backgrounds who, in turn, educated more than 2,600 people about saving water. This saved an estimated 20 million litres of water.
- A pilot program run in partnership with the Australian Conservation Foundation targeting 18 to 35 year olds reached over 300 young professionals and received wide media coverage.
- A partnership with the Science and Geography Teachers Associations to develop curriculum resources for NSW schools and professional development for teachers on their use.

Supporting water customers

DWE coordinates and administers the Government's water concession programs. These programs include pensioner water rebates schemes and water rates exemptions for council, charitable and not-for-profit organisations.

As part of this program the Government provides funds to water corporations for the payment of rebates and exemptions on water bills to ensure that vulnerable customers have continued access to urban water services.

During the year DWE efficiently coordinated the distribution by the water corporations of over \$106 million under these concession programs including \$7.4 million by Hunter Water Corporation and \$82.7 million by Sydney Water Corporation in pensioner water rebates.



The inaugural Water for Life Forum, September 2007

Non-metropolitan urban water services

Country Towns Water Supply and Sewerage Program – Infrastructure

The NSW Government's Country Towns Water Supply and Sewerage Program (CTWSS) is managed by DWE. 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.

CTWSS 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. The Government's total commitment to this program now exceeds \$1.1 billion and the program is scheduled to run until 2014-15. The program has now expended over \$758 million and completed some 349 water supply and sewerage projects which have delivered enhanced public health, environment and security of supply outcomes that have directly benefited over one million residents living in country NSW.



Support for local water utilities under the CTWSS

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.

Table 2.1 CTWSS Infrastructure

CTWSS - Infrastructure	2004-05	2005-06	2006-07	2007-08
Annual number of additional people benefiting from improved water supply systems	50,000	41,500	30,000	34,000
Annual number of additional people benefiting from improved sewerage systems	50,000	28,000	80,000	34,000
Number of grants assessed and approved	55	27	53	70
Section 60 approvals (<i>Local Government Act 1993</i>)	40	35	13	25
Number of projects on the waiting list	223	220	213	203
Number of new backlog projects started	3	7	10	16
Number of drought projects started	27	6	10	17
Number of projects completed	25	18	23	23

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 from the Minister for Water 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 whose objectives are to provide an independent assessment of proposed dams, treatment works and reuse projects to ensure they are fit for purpose, provide a robust, safe, cost-effective and 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 LWU'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. The Department 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 25 Section 60 approvals were issued or were being assessed for issue to Local Water Utilities in 2007-08 as shown in table 2.2.

Dam safety

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

The Department of Water and Energy:

1. Undertakes expert inspections of LWU dams to a frequency determined by the Australian National Committee on Large Dams (ANCOLD) Guidelines and as endorsed by the Dams Safety Committee (DSC) and by an independent review of DWE'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.
2. Manages and monitors timely implementation of the program of requisite upgrading of deficient dams.
3. Provides expert technical advice and approval to LWUs on dam safety issues including review of dam monitoring data.
4. Manages and facilitates technology transfer and best-practice through inspection reporting and conducting dam safety surveillance courses for LWU engineers and operators.
5. Manages 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.
6. Provides specialist advice on the development and regular exercising of Dam Safety Emergency Plans and during dam safety emergencies.

Table 2.2 Section 60 approvals to LWUs

Section 60 approvals	2005-06	2006-07	2007-08
Water Treatment Works	5	1	10
Sewage Treatment Works	20	10	13
Effluent and Biosolid Reuse	8	1	1
Dam	2	1	1

While DWE previously prepared five-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. DWE reviews these reports before their issue to LWUs.

Portfolio Risk Assessment (PRA) – The 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 ten priority dams is being implemented with LWUs over the next four years. Work is also underway for three of the next five priority dams.

Operation and maintenance – 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. The dam safety activity conducted by DWE is shown in Table 2.3 below.

Dam Safety Emergency Plans (DSEP) – A key objective of the Dam Safety sub-program is that life is protected in the event of an unpredictable incident by implementation of DSEPs. Such plans are required for all high and significant hazard dams prescribed under the *Dams Safety Act 1978*.

Currently there are 35 DSEPs in place and another 16 are being finalised. These DSEPs will cover all the high hazard LWU dams. A further 22 DSEPs will be completed over the next five years thereby covering all high and significant hazard LWU dams in NSW. A preliminary draft manual was developed to allow LWUs to regularly exercise their DSEPs on the basis of scenarios provided by the Department. This manual will be finalised during 2008-09.

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 2007-08 water quality complaints reduced significantly from previous years. However, water service complaints increased due to water restrictions and the current drought. Water quality has improved over this period due to the commissioning of new water treatment facilities.

The effect of the drought continues to be felt, with 85 per cent of utilities receiving below average rainfall. Nevertheless, microbiological water quality compliance for *E.coli* (health related) was 99 per cent of the 18,700 samples tested, physical compliance was 96 per cent and chemical compliance (health related) was 95 per cent. These results maintained the level of compliance 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 six fluoridation plants.

Most LWUs complied with the 90-percentile limits of the Department of Environment and Climate Change (DECC) licence. Sewage odour complaints and service complaints reduced significantly from previous years.

DWE also provided support to LWUs through inspection services as tabled in Table 2.4.

Table 2.3 Dam safety

Inspection and training services	2004-05	2005-06	2006-07	2007-08	Proposed 2008-09
Dam Safety Expert Inspections	45	40	40	44	40
Dam Surveillance Reports	8	11	8*	6*	8
Dam Safety Surveillance Workshops	2	2	3	3	2

Table 2.4 Water and sewage treatment works inspection and training services

Inspection and training services	2005-06	2006-07	2007-08	Proposed 2008-09
Water Treatment Inspections	119	110	110	200
Sewage Treatment Inspections	311	330	330	350
Water Treatment Seminars and Courses	5	4	7	6
Sewage Treatment Seminars and Courses	8	6	6	6

Inquiry into urban water services for non-metropolitan NSW

In August 2007 the former Minister for Water Utilities, the Hon Nathan Rees MP, announced an Inquiry into the institutional and regulatory arrangements by which town water supply and sewerage services are provided in country NSW.

In January 2008 the Minister appointed the Hon Ian Armstrong OBE, former Deputy Premier of NSW and Dr Colin Gellatly AO, former Director-General of the Premier's Department to head the Inquiry. The Minister also released the Terms of Reference for the Inquiry following extensive consultation.

DWE's discussion paper on the Inquiry, which was released in conjunction with the Terms of Reference, identifies six major challenges to the capacity of local water utilities to continue providing healthy and environmentally friendly water supply and sewerage services on a reliable, efficient and affordable basis. The challenges are:

- Requirement for increased water sharing with the environment
- Forecasts of reduced long term rainfall and increased incidence and severity of droughts as a consequence of climate change
- Natural climate variability
- Replacement of ageing assets
- Growing shortage of skilled labour
- Demographic shifts with high population growth in coastal areas and low population growth in many inland NSW areas.

Dr Gellatly and Mr Armstrong conducted 17 hearings across NSW between 1 April 2008 and 20 May 2008. The locations of the hearings were Albury, Bourke, Broken Hill, Coffs Harbour, Cooma, Cowra, Dubbo, Forbes, Griffith, Inverell, Nowra, Orange, Sydney, Tamworth, Temora, Tweed Heads and Wagga Wagga. The hearings were preceded by advertisements in local media informing the community of the date, time and location of the Inquiry

hearing. In total 117 people made presentations at these hearings with 487 people attending the hearings as observers. The majority of the 138 written submissions received were provided by local councils. Submissions were also received from industry associations, community groups, commercial entities, the United Services Union, community and environmental advocacy organisations and individuals.

The Terms of Reference, Inquiry discussion paper and stakeholder submissions are lodged on the Department's website www.dwe.nsw.gov.au.

Dr. Gellatly's and Mr Armstrong's report will be presented to the Minister for Water in late 2008.

Aboriginal Water Supply and Sewerage Program

DWE, along with NSW Aboriginal Land Council, NSW Health, NSW Department of Aboriginal Affairs and NSW Aboriginal Housing Office completed a review of the operation and maintenance of water supply and sewerage services in over 60 Aboriginal communities. The review identified that many of the communities had adequate capital infrastructure, yet the drinking water and sewerage services in these communities were poor and did not meet the basic standards expected in the wider community. It also found the operation, maintenance and monitoring of these systems is inadequate, thereby placing the health of these communities at risk.

Following the review a business case was put to Government to create a new program to provide financial and technical assistance to Aboriginal communities towards the operation and maintenance of their water supply and sewerage systems.

The Government responded by announcing a joint program with the NSW Aboriginal Land Council worth \$205 million over the next 25 years to improve the water supply and sewerage services in these communities. The program will be managed by the Department and will commence in 2008-09.

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 106 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 reporting
- Integrated water cycle management (IWCN).

The guidelines will help ensure NSW water supply and sewerage services continue to improve and the LWUs sustainably and efficiently deliver these services to the community.

Following release of the guidelines, all LWUs have made progress towards best-practice management (as reported in the Performance Monitoring Report released in 2007). In 2006-07, 35 per cent of LWUs fully complied with the guidelines for water supply and 32 per cent of LWUs fully complied for sewerage. More detailed analysis shows:

- 83 per cent of utilities now have a sound 30-year strategic business plan and financial plan in compliance with the Guidelines
- 90 per cent of LWUs have both pay-for-use water supply pricing and full cost recovery for water supply while 85 per cent have both appropriate pricing and full cost recovery for sewerage
- 76 per cent of LWUs have an appropriate water supply Development Servicing Plan (DSP) with commercial developer charges and 71 per cent of LWUs have a sewerage DSP
- 51 per cent of LWUs have complying liquid trade waste fees and charges
- 61 per cent of LWUs have completed an appropriate liquid trade waste policy and have issued a liquid trade waste approval to all their trade waste dischargers

- 69 per cent of LWUs have implemented a sound water conservation plan
- 74 per cent of LWUs have implemented sound drought management
- 65 per cent of LWUs have commenced preparation of an integrated water cycle management (IWCN) evaluation or strategy
- 77 per cent of the requirements of the Best-Practice Management Guidelines were met by local water utilities
- 1.7 million people in non-metropolitan NSW benefit from a reticulated sewerage service. This equates to 94.6 per cent coverage.

A 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 a prerequisite for eligibility for financial assistance towards the capital cost of backlog infrastructure under the Country Towns Water Supply and Sewerage (CTWSS) Program. This program is managed by DWE to assist LWUs in providing water supply and sewerage services.

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. DWE 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 three per cent of LWUs have completed a strategic business plan and long-term financial plan, compared to only 44 per cent four 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. Such pricing provides appropriate pricing 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 inclusion of provisions to ensure NSW compliance with the requirements of the National Water Initiative.

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

DWE 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 LWUs have now abolished their water allowance for potable water supply in compliance with the National Competition Policy and the National Water Initiative.

Ninety per cent 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 cost recovery.

Developer charges

The Developer Charges Guidelines for Water Supply, Sewerage and Stormwater were released in December 2002. 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 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 on this basis.

The former Minister for Water Utilities requested the Independent Pricing and Regulatory Tribunal (IPART) to review the Guidelines. As part of the review IPART released an issues paper and undertook public consultation involving stakeholders. In September IPART submitted a report on its review to the Minister for Water.

Altogether, 76 per cent and 71 per cent of LWUs had commercial developer charges for water supply and sewerage respectively and have effectively complied with the Guidelines. These figures include the eight per cent of LWUs which made use of the exemption provision of the Guidelines due to their low growth rate of fewer than five lots per annum.

Table 2.5 Compliance with Best-Practice Pricing

Compliance with Best-Practice Pricing	2003-04	2004-05	2005-06	2006-07*
LWUs with pay-for-use water supply pricing (%)	81	92	98	98
LWUs with trade waste fees and charges (%)	46	61	62	64
LWUs with commercial water supply developer charges (%)	50	64	73	76
LWUs with best-practice sewerage pricing (%)	21	40	53	64

* Collection of statistics is done in arrears by one year. 2006-07 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, www.nwc.gov.au. The Group is also finalising draft pricing principles for consideration by the Council of Australian Governments (COAG). The principles aim to achieve greater consistency in the pricing of urban 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 these LWUs, DWE has prepared comprehensive Liquid Trade Waste Management Guidelines 2005. The Guidelines are currently being updated and the draft has been forwarded to NSW Local Government Water Industry Directorate and the Department of Local Government for review and comments. The updated Guidelines will be available on the DWE website. In addition, in order to assist LWUs with the calculation of Biochemical Oxygen Demand (BOD) charges, DWE has developed trade waste pricing software (BOD Bill Calculator).

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.

By applying the integrated approach in the Guidelines, each LWU is able to:

- Improve its environmental outcomes by compliance with the LWU's sewage treatment works licences
- Improve 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
- Reduce residential sewerage bills and increase system capacity and serve new development by 'freeing-up' sewerage system capacity.

Trade Waste regulation courses were again run to assist LWU officers in managing liquid trade waste issues. Candidates attending the full course and passing the course examination receive a nationally recognised TAFE Certificate in liquid trade waste regulation. DWE is currently working with the NSW TAFE in order to realign the above course with the units of competencies in the National Water Industry training package.

In order to achieve compliance with the Best-Practice Management of Water Supply and Sewerage Guidelines, LWUs require an appropriate Liquid Trade Waste Policy. To assist LWUs, DWE has provided a Model Policy for the Discharge of Liquid Trade Waste to the Sewerage System. This is presented as an appendix to the 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 Liquid Trade Waste Policy and implementing new trade waste fees and charges. In addition, there has been a doubling in the number of trade waste applications received from LWUs for review and concurrence by DWE.

Table 2.6 Liquid Trade Waste

Liquid Trade Waste	2004-05	2005-06	2006-07	2007-08
No. of LWU trade waste approvals processed by DWE	37	58	121	178
LWU liquid trade waste policies reviewed	18	37	17	21
Trade Waste Regulation Courses	5	2	2	2
% of LWUs with a current trade waste policy and an approval issued to each trade waste discharger	25	42	50	61
% of LWUs with liquid trade waste fees and charges	46	61	62	64



Left: Emergency drought pipeline, Cowra to Woodstock

Top right: Oberon Dam, June 2008 at 15.4% of capacity

Bottom right: Darling River near Wilcannia, July 2007



Water conservation and drought management

NSW is currently in the seventh 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, DWE's prime objective is to ensure no town runs out of water.

In 2006-07 a total of 48 Drought Management Plans had been completed by local water utilities. In 2007-08 a further seven were completed, bringing the total to 55.

In 2006-07 24 projects were undertaken to enhance the drought security of town water supplies. In 2007-08 a further 25 projects received financial assistance from the NSW Government.

For the year 2007-08 DWE approved more than \$6.9M for emergency drought works including \$642,000 for water cartage. The drought situation in the second half of

2007-08 generally improved with welcome widespread rain over the summer. At the peak of the drought this year, in June, water was being carted to four communities, 59 communities were in danger of water supplies failing within three months and a further 147 were at risk of failure in twelve months. The total population served by these water supplies in regional NSW was 883,756.

The major projects for which funding was approved include construction of the Cowra to Woodstock emergency pipeline (\$2.25 million), groundwater investigations for Bourke (\$275,000), emergency drought investigations and design works for Orange (\$390,000) and construction of an emergency bore at Ivanhoe (\$200,000).

Continuing dry conditions in the Upper Macquarie Valley required Orange to introduce Level 5 water restrictions in May. Under this level of restrictions, only one hour of outdoor watering, using a bucket, is permitted per week. Drought works in Orange will focus on stormwater harvesting and identifying groundwater sources.

Table 2.7 Town Water Drought Management

Town Water Drought Management	2004-05	2005-06	2006-07	2007-08
Number of long term drought management plans completed (cumulative)	40	41	48	55
Number of projects approved to enhance drought security of town water supply	20	11	24	25

Table 2.8 Integrated Water Cycle Management

LWUs and IWCM	2004-05	2005-06	2006-07	2007-08
Committed to undertaking an IWCM	27	54	69	79
Undertaking an IWCM	24	47	59	62
Completed IWCM Evaluation	10	14	19	24
Completed IWCM Strategy	4	5	5	11

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 106 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 and community approach by creating a partnership between local government, relevant state agencies and the local community in the development of sustainable water use strategies.

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

- An increase in the number of councils committed to undertaking IWCM to 79
- An increase in the number of councils undertaking the IWCM Evaluation and the IWCM Strategy
- Manuals for three IWCM computer models (Rainwater Tank Performance, Water Use Climate Correction and Demand Management Option Assessment – DSS) were placed on the DWE website
- 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 information sheets 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.

Annual performance monitoring

Comparative performance of LWUs

DWE 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.

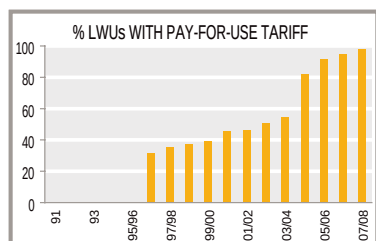
The key elements of the NSW performance reporting system are the annual NSW Performance Monitoring Report and the two page Triple Bottom Line (TBL) Performance Report. The Monitoring Report presents performance data for all NSW LWUs and is available to all interested parties (management, customers, regulators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

LWUs are facing significant challenges posed by drought, environmental water allocations and skills shortages. The performance monitoring and reporting system combined with the Best-Practice Management Guidelines are helping LWUs 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 over the next three pages¹.

¹ Performance is disclosed on the basis of the 106 LWUs existing in June 2007

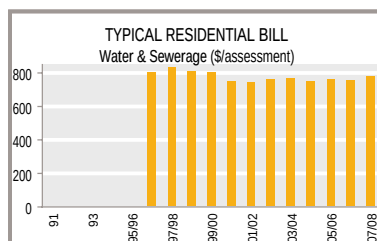
Social Indicators (Charges/Bills, Health, Levels of Service)



Pay-for-use water supply tariff

98% of LWUs had a two-part tariff (ie. an access charge and a usage charge for all potable water usage) or an inclining block tariff in July 2007. These tariffs comply with National Competition Policy and the National Water Initiative.

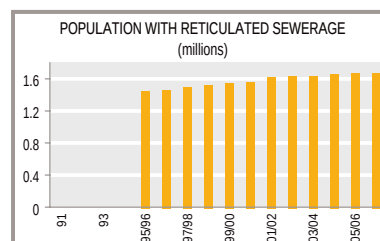
The median water usage charge was 124c/kL.



Typical residential bill

\$765/assessment for water supply and sewerage in 2007-08 (Jan 2008\$).

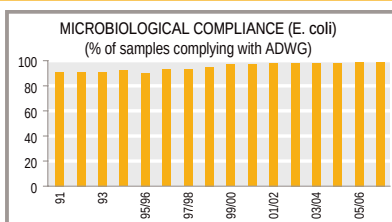
This has remained relatively constant in current dollars over the past twelve years. The typical residential bill for water supply is \$360 while the sewerage bill is \$405.



Population with sewerage service

94.6% of the non-metropolitan urban population (1.7 million people) had a piped sewerage service in 2006-07.

Since implementation of the new Country Towns Water Supply and Sewerage Program (CTWSS) in 1996, the population with a piped sewerage service has increased by 226,000 people ie. from 92.3% to 94.6%.

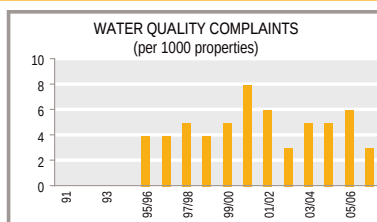


Drinking water quality

Microbiological water quality compliance for E.coli (health related) was 99% of the 18,700 samples tested.

Physical compliance was 96% and chemical compliance was 95%.

Over the past five years microbiological compliance has increased from 97% to 99% of the samples tested and physical and chemical compliance have ranged from 95% to 97%.



Water quality complaints

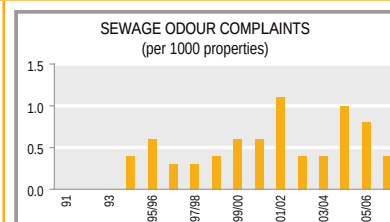
3 per 1000 properties – similar to other Australian utilities and

water service complaints –

12 per 1000 properties.

Water quality complaints have remained relatively constant over the past twelve years while water service complaints have increased from seven to twelve due to water restrictions and the drought.

Water quality has improved over this period due to the commissioning of new water treatment facilities.



Sewage odour complaints

0.4 per 1000 properties which was about the median of other Australian utilities, and

sewerage service complaints –

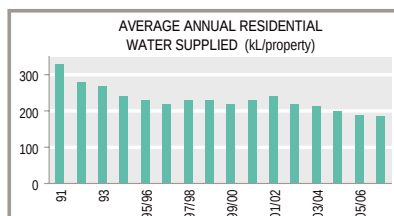
9 per 1000 properties.

Odour complaints have remained low over the past twelve years while service complaints have fallen. DWE is working with LWUs experiencing high odour complaints to develop appropriate control measures.

Tariffs – 90 per cent of utilities had both pay-for-use pricing and full cost recovery for water supply while 85 per cent 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.

Business Plans – 83 per cent of utilities have completed a Strategic Business Plan and long-term financial plan, compared to only 44 per cent four years ago. These LWUs comply with the National Water initiative.

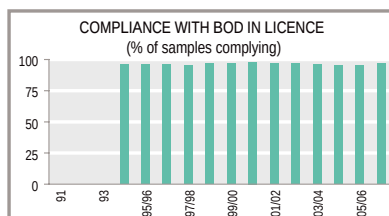
Environmental Indicators



Average annual residential water supplied

185kL/property which was lower than all other Australian states.

Average annual residential water supplied has fallen by 44% from 330kL/property to 185kL/property over the past sixteen 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.

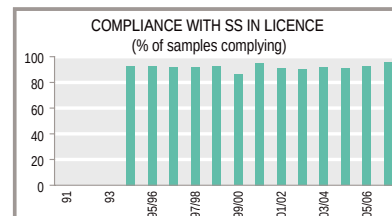


Sewage effluent quality

97% of the sampling days complied with the licence for Biochemical Oxygen Demand (BOD).

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

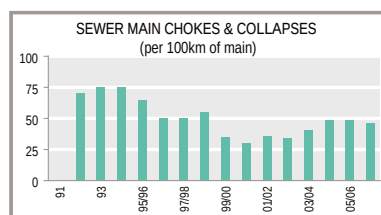
71% of utilities complied with the 90 percentile limit of their BOD licence.



Sewage effluent quality

96% of the sampling days complied with the licence for Suspended Solids (SS).

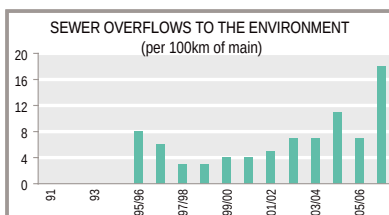
Compliance over the past twelve years has ranged from 90% to 96%. The major cause of non compliance is the growth of algae in maturation ponds being measured as SS.



Sewer main chokes and collapses

46 per 100 km of main, which was lower than most other Australian utilities.

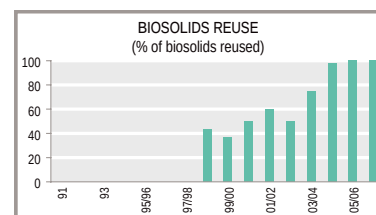
This has fallen from 75 to 46 over the past fifteen years.



Sewer overflows to the environment

18 per 100 km of main, which was higher than most other Australian utilities.

Overflows were adversely affected by the June 2007 floods.



Biosolids reuse

In total, 100% of the biosolids produced was reused in 2006-07. This has increased from 43% in 1998-99.

About 19% of total sewage collected was recycled.

Economic Indicators (Financial, Efficiency)

Economic real rate of return 1.6% for water supply and sewerage. 87% of LWUs had a positive return on assets for each of water supply and sewerage. The real rate of return has remained relatively constant over the past twelve years.	Net Debt to equity Minus 6% for water supply and sewerage, increasing from minus 11% the previous year. LWUs facing significant capital investment are encouraged to make greater use of borrowings to reduce their required Typical Residential Bill (TRB).	Operating cost (OMA – operation, maintenance and administration) \$610/property for water supply and sewerage. The OMA cost per property has increased from \$370 to \$610 (Jan 2007\$) over the past sixteen years, largely due to more stringent standards for sewage treatment and to increasing management cost.
Water supply operating cost 90c/kL (Jan 2007\$). This has risen from 40c/kL in the past twelve years largely due to higher management costs and reduced water consumption per property. Sewerage operating cost was 129c/kL (Jan 2007\$).	Management cost \$225/property for water supply and sewerage. The management cost per property has increased from \$110 to \$225 (Jan 2007\$) over the past sixteen years.	Number of employees 2.9 per 1000 properties for water supply and sewerage. This indicator has fallen from a maximum of 3.3 over the past sixteen years.

The Minister for Water will release the 2006-07 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 state-wide performance of the NSW non-metropolitan water utilities and interstate comparisons. The report will also be provided to relevant government agencies and the Independent Pricing and Regulatory Tribunal (IPART).

In addition, the comprehensive 2006-07 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 will be published on the Department's website at www.dwe.nsw.gov.au.

National Performance Framework

DWE 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
- 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 114 performance indicators involves a small number of additional performance indicators to those in the NSW system. DWE will continue to collect, compile and publish performance data for all NSW water utilities and will provide the relevant NSW data for publication in the National Performance Report.

The audited performance indicators for all 27 non-metropolitan NSW water utilities with over 10,000 connected properties have been reported in the National Performance Report 2006-07 for Urban Water Utilities. The report is available on the National Water Commission website, www.nwc.gov.au.

KRA 3 Energy supply and use

Overview

Planned result

Reliable and sustainable energy supplies, safe and efficient energy services and a robust consumer protection framework, including support for vulnerable customers.

Planned outcomes

- NSW participating in an efficient national energy market
- Network operators comply with improved regulatory framework
- Advice on greenhouse and low emission generation technologies and policies
- A robust consumer protection framework, including support for vulnerable customers.

State Plan targets

DWE is the lead agency for State Plan Priority E2: *A reliable electricity supply with increased use of renewable energy*. The targets for this priority, representing significant improvements in NSW, are:

- *Achieve electricity reliability for NSW of 99.98 per cent by 2016*
- *Achieve 15 per cent renewable energy consumption by 2020.*

DWE is also a partner agency in State Plan Priority E3: *Cleaner air and progress on greenhouse gas reductions*. This requires DWE to work with the Department of Environment and Climate Change towards reducing greenhouse gas emissions particularly from the energy sector.

A key priority for DWE will be to continue to take a leading role in transforming the separate state-based regulatory regimes into a national regulatory framework for electricity and gas while ensuring NSW's economic, social and environmental interests are met. This will contribute to achieving State Plan Priority P2, focusing on increased investment in infrastructure.

Major outcomes achieved

- Development and implementation of the NSW Gas Supply Continuity Scheme resulted from a failure in the natural gas wholesale market arrangements.
- National and relevant NSW legislation covering electricity and gas distribution networks economic regulation implemented. This has transferred economic regulation of distribution and transmission networks to the Australian Energy Regulator.
- National legislation implemented providing for the Australian Energy Market Commission to provide policy oversight for the distribution and transmission economic regulation.
- NSW electricity distributors will be the first to receive new revenue determinations under the new national framework.
- Supported the Owen Inquiry and subsequent reform processes providing expert policy 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.
- Participated in the Council of Australian Governments (COAG) Water and Climate Change Working Group to develop a consistent national greenhouse framework, including the establishment of the Carbon Pollution Reduction Scheme (CPRS) and review the complementary climate change measures in place at a national and state level.
- Ongoing policy improvements in legislative and regulatory frameworks for the technical regulation of electricity, gas and pipeline infrastructure, with a move towards an outcomes focus.
- Regulatory services contributed to significant progress by electricity distributors towards delivering 99.98 per cent reliability by 2016. Provided input and comment to the development of the Commonwealth's enhanced Mandatory Renewable Energy Target (MRET) of 20 per cent renewable energy by 2020.

- Continued to monitor the potential role of 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 per cent by 2010 and to 15 per cent by 2020. Until the enhanced MRET is implemented the NSW legislation will remain as a “backstop”.
- High growth was sustained in customer participation and sales of GreenPower in NSW. From the previous year, customer participation increased by 32 per cent to 220,822 and sales increased by 28 per cent to 448,226MWh.
- In 2007, the fifth year of operation of the Greenhouse Gas Reduction Scheme (GGAS), approximately 24 million abatement certificates were created across a range of eligible abatement activities, bringing to 69 million the number of certificates created over the life of the scheme. To date there has effectively been full compliance with GGAS benchmarks.
- Product registrations for Minimum Energy Performance Standards (MEPS) and energy efficiency labeling increased to 558, leading to potential savings in power of 1,581 GWh and 1.4 million tonnes of carbon emissions.
- With other jurisdictions under the MCE, completed the National Smart Meter cost benefit analysis and established a development process that will lead to a national framework for smart electricity meters in the National Electricity Market (NEM).
- 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 and implemented policy and regulatory changes to strengthen disconnection procedures to better protect residential customers in NSW.
- Worked with electricity retailers to implement voluntary Hardship Charters for all participants.
- Approximately \$85 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	Not specifically assessed however 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	This indicator will be reviewed and revised to a more appropriate measure of DWE service performance.

Energy supply and use Performance report

National and NSW Energy Policy

Ministerial Council on Energy

DWE 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 implemented significantly improved governance, regulatory and institutional arrangements for the national energy markets – both gas and electricity. This included the establishment of the Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER) in 2005. In 2007-08, NSW, in conjunction with the MCE and other jurisdictions, developed the proposed Australian Energy Market Operator (AEMO). AEMO will take over from National Energy Market Management Company (NEMMCO) and will also take over from the Gas Market Company (GMC) in NSW and run the gas market. AEMO is due to commence in 2009.

DWE 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 policy makers and regulators to the AEMC and AER respectively. 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.

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

Under the auspices of the MCE, the National Electricity Market Management Company (NEMMCO) continued to advise on the impacts of the ongoing drought on electricity supplies. DWE works closely with NEMMCO to ensure that the assessment is accurate and reflects the real impact of the drought.

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 Council of Australian Governments (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
- MCE agreement on the response to the Productivity Commission Review of the Gas Access Regime.

The proportion of national energy reform commitments achieved could not be assessed in detail however DWE, working within the national framework, made significant progress towards these reform objectives.

National Electricity Market reporting

DWE 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.

The Department 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.

Energy reform

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 supported the Owen Inquiry through participation on the Steering Committee and staff on the Secretariat. It also provided a range of background information, technical advice and policy advice on issues such as consumer protection.

Since then, the Government has established the Unsworth Committee, and DWE has provided advice to that Committee on a range of issues. Since the Unsworth Committee completed its report to Government, the Department has provided ongoing advice to the Government on the implementation of reform.

Regulation of energy network safety, reliability and security

Energy Networks Performance Policy

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

The primary objective for this service is to maintain the safe, reliable and secure delivery of energy to NSW consumers by ensuring 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.

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*
- *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 Electricity Network Safety (NENS) Code 01
- Australian Standard AS4645 – Gas distribution network management.

In 2007-08, regulatory policy activities were expanded to encompass broader issues affecting energy networks including electricity metrology and smart meters, policy work on network connections, network planning, demand management and capital contributions.

DWE is represented on the Ministerial Council on Energy's (MCE) Network Policy Working Group (NPWG), which was re-constituted during 2007-08 to focus on non-economic regulation of electricity and gas networks. Matters to be covered by the NPWG include consideration of national regimes for distribution network planning and a national network connections framework that streamlines customer connection processes for premises and embedded generation.

This work will continue into 2008-09 to align with the National Energy Consumer Framework being developed by the MCE Retail Policy Working Group.

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

During 2008-09, the Department will be involved in the finalisation of reviews on non-economic regulation of electricity networks, the development of new national arrangements for natural gas networks, the transfer of all gas and electricity market operations including the NSW Gas Supply Continuity Scheme to AEMO, ongoing development and monitoring of the natural gas Short Term Trading Market, finalisation of three new technical regulations for gas and electricity networks and input to a major review of the Australian Standard for gas distribution networks (AS4645).

There were a number of notable achievements for the Department in the area of energy networks performance policy during 2007-08.

NSW Gas Supply Continuity Scheme

On 22 June 2007, approximately 250 large NSW and ACT natural gas consumers were requested to curtail their natural gas consumption to protect the operational integrity of the gas transmission and distribution infrastructure. The Minister for Energy, the Hon Ian Macdonald MLC, subsequently directed the Director-General of DWE to examine the circumstances that led to the disruption of supply of natural gas.

The purpose of the Inquiry was not to apportion responsibility for the supply disruption to particular gas industry participants. Instead, the purpose of the Inquiry was to clarify the sequence of events that gave rise to the need for restriction of natural gas consumption by large customers and to identify the required actions by the gas industry to ensure the event does not recur.

The Inquiry concluded that the load shedding event was a result of a failure in the market arrangements resulting in wholesale gas markets not being adequately linked to the NSW retail gas market. The Inquiry also concluded that specific wholesale gas market arrangements are required to prevent a recurrence of the load shedding event. The events of June 2007 demonstrated that the current NSW wholesale market arrangements were insufficient to maintain continuity of supply on a daily basis to natural gas customers in NSW, particularly in circumstances of high demand.

The Inquiry recommended that natural gas market arrangements should be extended by the establishment of a system to ensure that pipeline imbalances and linepack levels (gas pressure within the pipeline) in the natural gas transmission system are maintained within agreed limits.

In order to achieve this, natural gas market participants and DWE developed robust and enforceable market arrangements to ensure the continuity of the natural gas supply in NSW. The establishment of the NSW Gas Supply

Continuity Scheme was supported by enabling legislation developed by the NSW Government.

These arrangements came into effect on 1 June 2008 and will continue until appropriate alternative arrangements are implanted at a national level via the proposed natural gas Short Term Trading Market.

Gas and Electricity Technical Regulation Reviews

As required by Section 5(2)(a) of the *Subordinate Legislation Act 1989*, DWE undertook the preparation of three new draft technical regulations under the *Electricity Supply Act 1995* and *Gas Supply Act 1996*:

- *Electricity Supply (Corrosion Protection) Regulation 2008* – the objective of this Regulation is to ensure corrosion protection measures are in place to protect metallic assets from the harmful effects of accelerated corrosion and loss of structural integrity
- *Electricity Supply (Safety and Network Management) Regulation 2008* – the objective of this Regulation is to ensure operators of electricity networks prepare plans for the safe operation and maintenance of electricity networks
- *Gas Supply (Safety and Network Management) Regulation 2008* – the objective of this Regulation is to provide for the safe operation of gas networks.

Regulatory Impact Statements and draft Regulations were prepared and published on 25 June 2008 for comment by stakeholders and the public. It is planned to review all comments and make necessary amendments to the draft regulations so they can be made when the existing regulations lapse on 1 September 2008.

National cost benefit analysis on electricity smart meters

In February 2006, the Council of Australian Governments (COAG) made a decision that all consumers in Australia should have 'smart' electricity meters where this was cost effective.

During 2007-08, the Ministerial Council on Energy (MCE), via its Smart Meters Working Group (SMWG),

developed and released extensive cost benefit studies on the mandatory rollout of smart meters in two phases as follows:

1. National minimum smart meter functions
2. Options for the rollout in each jurisdiction.

A Regulatory Impact Statement and cost benefit analysis were also drafted and released for consultation in relation to the policy implications of a mandatory rollout of smart meters.

The results of the cost benefit analysis were considered by the Ministerial Council of Energy at its December 2007 and June 2008 meetings when the Ministers endorsed a minimum set of functions for smart meters and for the establishment of a national framework for smart meters in the National Electricity Market respectively.

A National Stakeholder Steering Committee with five technical and regulatory working groups has been established to finalise the technical and regulatory details for smart meters while the SMWG conducts policy development on cost recovery mechanisms and customer protection and safety issues associated with smart meters.

Energy networks compliance

DWE ensures 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:

- 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
- Recommendation and implementation, once approved, of appropriate intervention strategies including telephone, letter, meeting, directions or amendments to codes, standards or statutory instruments
- Follow-up of compliance issues either individually or industry wide.

Table 3.1 Energy Networks Compliance

Energy Networks Compliance	2004-05	2005-06	2006-07	2007-08
Serious electrical accidents (industry and public 3yr rolling average)	21.7	17.7	16.3	18.0
Compliance inspections / site visits (No.)	36	34	1	12

Table 3.2 – Reliability Measures

Reliability Measures	2004-05	2005-06	2006-07	2007-08
Progress by electricity distributors towards delivering 99.98% reliability by 2016	99.9728	99.9728	99.9743	99.9753
Unplanned electricity outages (normalised customer minutes)	142.9	143.1	135.1	130.0

During the year, the majority of the statutory electricity network plans were updated by the electricity suppliers. Most distributors submitted Electricity Network Performance Reports when due.

Gas retailers' Customer Safety Awareness Plans were received and a report provided 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.

Energy network reliability

Mandatory reliability standards for electricity networks were introduced to ensure:

- Adequate funding for networks to achieve required reliability outcomes
- Effective planning of networks to minimise risk of major supply interruptions
- Reliability performance is optimised on a cost-benefit basis and compares favourably with peer organisations
- Poor local reliability performance is promptly addressed
- Customers with unsatisfactory reliability are able to be compensated.

The service area ensures a clear focus by network operators on network management for reliability outcomes, clear reliability improvements over the next decade and economic benefits for the community by minimising supply interruptions.

Electricity reliability for 2007-08 has been better than the target for the period, and is on track to meet the State Plan target by 2016.

The annual reliability achieved for 2007-08 has seen performance improvement to 99.9753 per cent (average 130 minutes per customer), a 3.8 per cent improvement over the year. The Auditor-General has verified the accuracy of electricity reliability figures for June 2007 (99.9743 per cent) and June 2008 (99.9753 per cent) against the agency's supporting documentation.

A review of the reliability licence conditions was completed during the year resulting in the implementation of revised licence conditions on 1 December 2007.

Quarterly reporting of reliability performance of the three electricity distributors commenced in 2007-08. Summary reports were provided quarterly to Cabinet. Table 3.2 sets out the performance indicators relevant to the electricity industry.

The majority of DWE's State Plan milestones for reliability targets have been achieved. Performance is currently tracking well above what is required to meet State Plan targets, which aim to achieve a 25 per cent improvement in electricity reliability for NSW by 2016.

However, the better than planned performance over the last two years may have been partly influenced by drought conditions over much of NSW resulting in reduced storms, floods and vegetation growth. Performance may revert to being closer to the required trajectory to meet State Plan targets.

During 2008-09 DWE will continue to monitor ongoing compliance with performance regulations and reliability licence conditions and reliability performance outcomes against State Plan targets.

DWE will adjust its compliance strategies as necessary to adapt to changing circumstances to ensure that compliance with State Plan targets continues to be achieved over the period to 2016. DWE will also plan for a further review of the reliability licence conditions by June 2010.



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* (PA1967) should the proponent wish to take advantage of land access arrangements available under PA1967.

The licensing of pipelines under PA1967 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. The Department seeks to minimise the processing time for licence applications to a maximum of four to five months.

At the commencement of 2007-08, there was a potential for six proposed pipelines to reach the licensing stage during the year. In addition, one existing pipeline licensee was expected to submit licence variations. Outcomes of these project proposals are shown in Table 3.3.

The volume of work in pipeline licensing is anticipated to increase in the coming years as further investment in the gas market and gas fired electricity is expected to occur across the National Electricity Market (NEM).



Top left: New gas pipeline for Colongra Gas Turbine project at Munmorah

Above: Tallawarra gas pipeline under construction

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 DWE 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 via electronic-based referrals to DWE for unmatched enquiries.

Table 3.3 Pipeline Licensing

Pipeline Licensing	2004-05	2005-06	2006-07	2007-08
Pipeline licences granted (No.)	0	0	1	2
Licence or permit variations or renewals granted (No.)	2	4	4	3
Consent for the commencement of operations (No.)	1	0	1	1
New pipeline licence applications received (No.)	0	0	5	3
Authorities to survey granted (No.)	0	0	2	1

Table 3.4 Conveyancing Searches for Pipeline Easements

Conveyancing Searches for Pipeline Easements	2004-05	2005-06	2006-07	2007-08
Revenue (\$000)	230	252	237	161
Proportion (%) of enquiries processed by LPI	84.5	93.4	92.8	88.0

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.

The Department administers a public register of cathodic protection systems for their installation, use, maintenance and removal. At 30 June 2008, there were 1,032 corrosion protection systems installed and operating in NSW. DWE provides this registration service on a fee basis.

In 2007-08 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. A more rigorous program focussed on these aspects will be implemented in 2008-09.

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 Rescue Management Act 1989* (the SERM Act). Under the SERM 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. EUSFAC is responsible for coordinating the planning and preparation for emergencies within the sector.

Large-scale event coordination was a significant feature of the 2007-08 reporting period. The sector established a working group to plan and coordinate preparation and response activities leading up to the September 2007 Asia Pacific Economic Cooperation Forum meetings in Sydney. The sector included emergency and security representatives from the telecommunications industry. The success of this group set a precedent in sector coordination and led to the establishment of a similar group for World Youth Day 2008 events.

In December 2007, the Minister for Energy approved the NSW Gas Supply Disruption Response Plan. The SEMC endorsed the Plan in March 2008. This was the first energy supply disruption response plan to be endorsed by the SEMC.

In December 2007, EUSFAC established the "Wires Down" working group. The cross agency group held workshops and developed a plan for emergency services organisations and electricity distribution network service providers to coordinate a response where electrical wires have fallen and represent a hazard. SEMC endorsement of the plan is scheduled for late 2008.

In the period April to June 2008, the National Oil Supplies Emergency Committee (NOSEC) held a national petroleum emergency simulation exercise to test high level Australian Government and inter-jurisdictional coordination arrangements for major petroleum supply disruptions. The exercise included a round table desktop discussion in each jurisdiction. The exercise objective was to test NOSEC processes and inform NOSEC on the approaches adopted within each jurisdiction during an emergency. The exercise tested communication arrangements between jurisdictions, Ministerial offices and industry. The outcomes of the exercise identified areas where improvements in communications and processes can be achieved which will be included in NOSEC's ongoing work program.

Table 3.5 Corrosion Protection System Registration

Corrosion Protection System Registration	2004-05	2005-06	2006-07	2007-08
Proportion (%) systems overdue for renewal	n/a	20	20	22
Overdue breakdown (%) by years (>2/2/1/current year)	n/a	n/a	27/16/23/33	28/15/33/24

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 Commonwealth Government. The Taskforce was chaired by NSW. However last year the new Commonwealth Government committed to the Commonwealth Pollution Reduction Scheme (CPRS) as a national greenhouse emissions trading scheme.

DWE has led NSW's input on the scheme from an energy perspective, including participation in the relevant Council of Australian Governments (COAG) working groups.

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 per cent by 2010 and to 15 per cent by 2020, and maintain the 2020 level of renewable energy consumption to 2030. The NSW Government indicated that it was making this policy decision as the Commonwealth had not decided to act and extend the national Mandatory Renewable Energy Target (MRET) that was about to expire. The NSW Government indicated a strong preference for a national renewable target, reflecting the ongoing development of the National Electricity Market (NEM) rather than myriad state-based schemes each imposing different requirements on retailers operating across state boundaries.

On 27 June 2007, the *Renewable Energy (New South Wales) Bill 2007* was introduced into Parliament. This was followed by a period of consultation. However in the past year the Commonwealth Government indicated that it would be extending and enhancing its existing MRET scheme and the revised MRET would entail a 20 per cent target. In light of this, the NSW target has been put on hold until the MRET is fully implemented.

Renewable energy programs

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

DWE administers the installations approved by the Department on behalf of the Commonwealth Department of the Environment, Water, Heritage and the Arts (DEWHA). The program involves receiving, assessing and approving renewable energy rebate applications, maintaining the Australian Greenhouse Office (AGO) database for reporting purposes, and submitting regular weekly and monthly reports to DEWHA.

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
- 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.

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 ten per cent renewable energy product. To support this DWE implemented a major community awareness campaign on GreenPower.

Continued high growth was subsequently reported in customer participation and sales of GreenPower in NSW. Customer participation increased by around 32 per cent from

167,923 in June 2007 to 220,822 in June 2008. Sales also increased by around 28 per cent from 350,826 megawatt hours (MWh) to 448,226 MWh over the same period.

An additional five GreenPower providers and 18 GreenPower generators were recruited to the Program bringing the totals to 28 providers and 272 generators, of which 187 were classified as 'new' or post-1997 generators.

Rapid growth in the Program has required a number of changes in its operation including:

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

It is anticipated there will be continued growth in customer participation and sales in 2008-09.

Energy programs – analysis and modelling

The analysis and modelling group provides ongoing advice and data to the energy teams across DWE. Data collection, analysis and modelling are a key function of the Department in the development of sound policy options for the Government and the Department undertook extensive analysis and modelling in the areas related to renewables, energy efficiency, greenhouse and energy supply-demand.

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 2007, its fifth year of operation, approximately 24 million abatement certificates were created across a range of eligible abatement activities, bringing to about 69 million the number of certificates created over the life of the scheme to 30 June 2008. To date there has effectively been full compliance with GGAS benchmarks. There have been several minor breaches that have come about as a result of administrative error on the part of the participant and have resulted in a shortfall of one or two tonnes.

Table 3.6 NSW GreenPower Program

NSW GreenPower Program	2004-05	2005-06	2006-07	2007-08
NSW GreenPower customer participation (No.)	27,721	55,317	167,923	220,822
NSW GreenPower sales (MWh)	171,762	256,467	350,826	448,226

Table 3.7 Greenhouse Gas Reduction Scheme

Greenhouse Gas Reduction Scheme	2004*	2005*	2006*	2007*
Abatement certificates created (M)	7.65	10.02	19.91	24.79
Greenhouse gas emissions saved				
(M t CO ₂ -equivalent cumulative)	14.31	24.33	44.24	68.98

* This scheme operates on a calendar year basis

Transition of the Greenhouse Gas Reduction Scheme (GGAS) to a national emissions trading scheme

The Commonwealth Government has committed to introducing a national emissions trading scheme – the Carbon Pollution Reduction Scheme (CPRS) – from 2010. The GGAS will terminate on commencement of the CPRS. The NSW Government has conducted stakeholder consultations on the issue, including a call for submissions on a consultation paper. Responses have been used to inform the NSW Government's negotiating position with the Commonwealth.

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.

The 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. DWE is the NSW regulator. As shown in Table 3.8, during 2007-08 DWE registered 558 applications.

Vulnerable customer support

Customer Protection Framework

DWE maintains one of the most comprehensive customer protection frameworks for NSW electricity and gas customers in the country. Perhaps the most significant piece of work in the area of consumer protection has been the development of a national framework for non-economic regulation of energy retailers. NSW has been working on this project for the last eighteen months under the auspices of the Ministerial Council of Energy. This work continues and over the past year significant stakeholder consultation has occurred.

In 2006-07 DWE successfully managed the first retailer of last resort (ROLR) event in the national electricity market 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. In 2007-08 DWE continued to manage the situation and assess whether the policy framework required amendment now that DWE has experienced an actual ROLR event. This experience has been fed into the national framework process.

Further policy amendment to the ROLR framework has also been considered in light of the energy reform process and potential change in ownership of the retailers.

Table 3.8 MEPS and energy efficiency labelling

MEPS and energy efficiency labelling	2004-05	2005-06	2006-07	2007-08
NSW Product registrations for MEPS / Energy labelling (No.)	432	412	282	558
Estimated Savings Power (GWh cumulative)	537	774	1,119	1,581
Estimated Savings CO ₂ -e ('000 t cumulative)	485	683	993	1,429

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. Changes have been made to strengthen disconnection procedures and protect vulnerable customers.

- 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 included changes to the disconnection procedures and a requirement for all retailers to have their payment plans approved for implementation by the Minister. Before disconnecting a customer who is facing financial hardship, a retailer is required to offer a payment plan to the customer. These requirements were all met during 2007-08.
- All retailers have submitted their hardship charters in response to the Minister's request for developing, implementing and publishing these documents. The charters outline policies and procedures adopted by respective retailers to offer assistance to their customers in staying connected to the services.
- Retailers have been providing data to DWE on disconnection levels in order to inform policy development in the future. This reporting has demonstrated a significant reduction in disconnection rates, believed to be as a result of the hardship charters.

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

Energy Concessions Schemes

Pensioner Energy Rebates and Life Support Rebate – DWE is responsible for administering the NSW Government's energy rebate scheme for pensioners and the electricity rebate scheme for those on life support. During 2007-08, \$74.06 million was distributed to approximately 667,000 pensioners through the pensioner energy rebate scheme and \$2.8 million was distributed through the life support rebate scheme to approximately 20,400 customers who need to electrically operate an approved life-support machine at home.

Energy Accounts Payment Assistance (EAPA) Scheme – DWE is responsible for administering the EAPA, 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 2007-08, \$7.97 million was distributed through this program.

In total \$84.83 million was distributed through the Pensioner Energy and Life Support Rebates and EAPA programs.

Table 3.9 Customer Protection

Customer Protection	2004-05	2005-06	2006-07	2007-08
Electricity customer disconnections				
(% annual reduction on previous year's number)	n/a	10	22	24

KRA 4 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.

State Plan targets

We are continually trying to enhance our capacity to cost-effectively deliver high quality services to our clients across the state, being responsive to their needs and responding appropriately at all times.

There are a number of State Plan priorities which help guide DWE's activities and resource allocation. These priorities have a 'whole of government' focus and will be achieved in part through reform agendas run through DWE.

State Plan Priority S8: *Increased customer satisfaction with Government services* requires DWE to improve the quality of services it delivers directly to the community and, in its role as regulator or quasi-regulator, to drive improved service delivery in the state-owned corporations and local water utilities which it oversees.

State Plan Priority F1: *Improved health and education for Aboriginal people*. The NSW Government has committed, through Two Ways Together, to improve outcomes for Aboriginal people. The Department contributes to this target along with other NSW Government agencies.

State Plan Priority P3 focuses on *cutting red tape*. DWE has direct responsibility for advising two Ministers on 30 pieces of primary legislation and associated subsidiary legislation as well as managing more than 100,000 licences and permits. Given this, DWE has a clear role in helping to streamline administration and reduce regulatory load.

Major outcomes achieved

- The results of a pilot customer satisfaction survey are very encouraging in terms of both the survey methods and the positive response to DWE's service delivery. There is now good data available to establish a benchmark for customer satisfaction levels and to enable review of processes, standards and communication tools to improve service delivery in the future.
- DWE's ongoing program of policy and legislation review saw changes to water and energy acts and regulations to support efficient and effective delivery of water and energy services in NSW.
- A new corporate risk register reflecting the role, responsibilities and activities of DWE has been established to provide the framework for building risk assessment into decision making.
- In response to management reviews, opportunities for improving process controls under the Energy Accounts Payment Assistance (EAPA) Scheme and policy and procedures for engagement of contracted service providers have been implemented to ensure corporate governance standards are maintained at a high level.
- Using the Joint Consultative Committee process, DWE successfully negotiated uniform employment conditions across the organisation with no dispute.
- Occupational Health and Safety (OHS) awareness and culture were significantly improved through development of a DWE policy and guidelines, and implementation of the OHS Consultation Framework along with a range of other strategies such as weekly OHS reporting to the Executive.

- A survey of all DWE staff established valuable base-line data on workplace culture, attitudes and performance and aided in the design of organisational development programs covering subjects such as corporate priorities, communications, appraisal and recognition, learning and development and customer service.
- The Graduate Recruitment Program is a key strategy in DWE's workforce planning which will enhance the ability of the Department to deal with forecast demographic changes.
- A range of targeted courses were run which were well attended by staff and addressed key skills required to enhance staff productivity as well as develop their potential for career advancement.
- Equity and Diversity and Disability Action Plans were developed. A new departmental Spokeswomen's program was launched. DWE continued to support the tri-agency Aboriginal Support Network including regular meetings and NAIDOC week activities.
- Representation of Equal Employment Opportunity (EEO) target groups in DWE has increased but remains below government benchmarks.
- A number of web based applications were developed and deployed that allow customers to provide information electronically as required by regulation. The Intranet re-design has consolidated diverse contact information, policies and procedures and is a highly used and timely information source for staff.
- Human resources systems outsourcing arrangements were revised and all staff data was consolidated onto a single system with associated improvements in efficiency and reduction in complexity.
- Significant progress has been achieved in re-engineering a myriad of inherited systems, procedures, standards, controls and administrative practices.
- Electronic service delivery has advanced with the development of the WIX system for water licensee transactions and with the new security interest conversion tool to enable online registration of security interests in water access licences.
- An unqualified audit opinion for the financial statements was received and a number of longstanding financial accounting legacy issues were resolved to the satisfaction of the Auditor-General.
- Under the asset utilisation and disposal strategy DWE achieved Government Assets Management Committee (GAMC) endorsement for the sale of properties deemed surplus and worked in partnership with other agencies such as State Water to identify properties to be vested.
- The motor vehicle fleet has been rationalised and the average score as measured under the NSW Government's Clean Fleet Program was improved by more than ten per cent, generating environmental benefits

Key performance indicators

Level of client satisfaction with service quality	70% – satisfied or extremely satisfied Pilot study on a limited range of DWE services. Comparisons with past performance are not feasible.
Percentage of line managers trained in OHS	No formal training of managers has been completed. Focus to date has been on staff consultation and awareness raising.
Number of workplace incidents and injuries	63 incidents notified and 53 injuries received. This has established baseline figures from which DWE can measure improvement in performance in coming years.
Staff turnover	9% – resulting in total staff increase of 0.5%. These are approximate figures based on limited data. Comparable figures are not available for previous years.
Extent of achievement of Equal Employment Opportunity targets	64% – overall achievement. This has improved from last year's average of 45%.

Organisational capability Performance report

Service delivery

Service standards

The Department of Water and Energy is committed to providing high quality customer service and to improving services wherever possible. To ensure 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, DWE aims to:

- Achieve a better understanding of customer needs
- Improve cooperation and the exchange of information between DWE staff and interested organisations and individuals
- Implement changes based on the feedback obtained.

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

Consumer response

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

Customer service centre

DWE's customer support team in the Elizabeth Street, Sydney office provides the customer service interface on services that require consistent program delivery for a wide cross-section of stakeholders. These services and programs include:

- Professional handling of water licensing enquiries and searches on the water licensing hotline (Ph: 1800 353 104)
- Professional handling of enquiries and reports on the water compliance hotline (Ph: 1800 633 362)
- Approvals and registration of corrosion protection systems under the *Electricity Safety (Corrosion Protection) Regulation 2003*
- Professional handling of customer enquiries on the energy information line (Ph: 1300 136 888)
- Processing applications for property searches for pipeline easements under the *Pipeline Regulation 2000*
- Finalising the administration of the Photovoltaic Rebate Programme (PVRP)

- Responding to enquiries and processing and responding to applications under the Renewable Remote Power Generation Programme (RRPGP) (Ph: 1300 137 880)
- Registration of products under the Minimum Energy Performance Standards and Energy Efficiency Labelling schemes
- Handling sales and distribution of books and publications – Bioenergy Handbook, Wind Management Publications
- Distribution of funds under the Pensioner Energy Rebate and Life Support Rebate Schemes
- Distribution of funds under the Energy Accounts Payment Assistance (EAPA) Scheme.

In the past year the customer support team responded to over 11,200 customer enquiries – phone calls and applications received. The team attended 20 workshops to train community welfare organisations in EAPA procedures and three Energy and Water Ombudsman NSW (EWON) forums to inform the community of energy concessions currently available.

Over \$85 million in energy concession rebates were distributed via Pensioner Energy Rebates, Life Support Schemes and Energy Accounts Payment Assistance.

In the year ahead DWE will increase business capacity to expand the services provided through the customer service centre and implement a Customer Service Charter including a complaints policy and on line complaints handling procedure.

DWE staff often participate at forums run by the Energy & Water Ombudsman. This forum was held at Parramatta during Anti-Poverty Week with a theme of "Keeping Essential Services Within Reach". Ramona Blacklock (seated centre front) gave a presentation dealing with protections provided by the NSW government for energy customers. Other topics included Financial Literacy, Food Security, No Interest Loans Schemes and Energy Audits.



Community and stakeholder relations

Communications – DWE is committed to building knowledge and awareness of its programs, policies and reforms and ensuring that our communications are effective, cost efficient and meet the needs of the intended audience.

The DWE website at www.dwe.nsw.gov.au provides an extensive range of information on our programs and services. DWE also delivers online information via www.waterforlife.nsw.gov.au and www.waterinfo.nsw.gov.au. These sites are managed and maintained by the Department while content is contributed by multiple government agencies.

The Department actively engages the community in policy development both online and via public meetings. Over the reporting year this process has been used for many reforms including draft water sharing plans, transitional arrangements for the NSW Greenhouse Gas Reduction Scheme, and the Local Water Utilities Inquiry Review. Over three hundred written submissions received from interested parties in response to community consultation activities, the details of which are posted on the website.

DWE publishes an extensive range of reports, technical papers, fact sheets and other information in print and online. More than 100 publishing projects were completed during the past year. Many of these projects involved multiple products including fact sheets, brochures, reports, technical papers, manuals, posters, display banners, signage, websites and statutory advertising. DWE also supports communication for the GreenPower National Accreditation Scheme and Water for Life Program. Publications are detailed in Appendix 2.

Media relations – Keeping the community informed of any decisions, policies and operational changes which impact on NSW residents is vitally important. DWE's media and community relations 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. Approximately 800 media inquiries were responded to this year.

Overseas visits – A number of DWE officers travelled overseas on behalf of DWE to participate in and contribute to technical and scientific associations' activities. Details are shown in Appendix 3.

Service delivery and 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.

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

Water sharing plans (WSPs) are being progressively developed and implemented 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

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

DWE commenced operations in 2007 with the percentage of Aboriginal and Torres Strait Islanders being around one per cent of total staff compared to the Government target of two per cent. DWE is identifying opportunities for both temporary and permanent employment such as Community Liaison positions attached to the project delivering sustainable water and sewerage facilities to Aboriginal communities. Through this Aboriginal Employment Strategy, by June 2008 the percentage had increased to 1.5 per cent. The Department is aiming to continue this increasing trend 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, DWE 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 involves two ongoing strategies – the Community Language Allowance Scheme and the provision of a Translating and Interpreting Service – aimed at general CALD communities and developing targeted initiatives where appropriate for specific projects or services.

During 2007-08, under the Community Language Allowance Scheme, five Departmental staff were paid an annual allowance to provide language assistance in Arabic, Filipino (Tagalog), Hindi, Russian, Spanish and Vietnamese to any customer requesting the service in accessing DWE information and services. The Translating and Interpreting Service enabled CALD customers to access information in a range of languages simply by requesting the service at the time of seeking the information with DWE making subsequent payment of the account. DWE will continue to offer these services to CALD communities in the future.

People from CALD 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 bilingual educators and run engaging workshops for residents within the eight largest ethnic community groups in the Greater Sydney area. It has also continued a water ambassadors program by training and supporting community members to educate others about saving water. A guide has been developed and promoted to allow culturally appropriate water education. More information can be found at www.waterforlife.nsw.gov.au.

Service delivery and client satisfaction

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
- They are dissatisfied with the service received.

Pilot customer satisfaction survey

DWE provides a range of services to a wide variety of clients. In addition to the way in which services are directly delivered, client satisfaction can be influenced by several other factors such as the difficulty clients have in differentiating between satisfaction with the service delivered by the Department 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 its service.

With these caveats in mind, in April and May 2008 DWE conducted a pilot customer satisfaction survey amongst customers and external stakeholders who had received one or more of the range of services delivered directly by DWE's customer service team. The participation rate was a high 36 per cent enabling confident conclusions to be drawn from the survey responses, which included:

- 70 per cent of clients are satisfied or extremely satisfied with the service delivered. When the 'neither satisfied nor dissatisfied' count was included the rating increased to 94 per cent
- Clients' perception of change in service delivery over the past twelve months revealed 29 per cent believe service delivery has improved to some degree and 63 per cent believe service delivery has remained the same
- Open ended questions gave further insight to customers' importance rating of aspects of service delivery, for example "I was very impressed by DWE's very prompt response to my queries", "enquiries are always dealt with in a positive manner", and "Customer service people are very polite and helpful".

The results are very encouraging in terms of both the survey methods and the positive response to DWE's service delivery. There is now good data available to establish a benchmark for customer satisfaction levels and to enable review of processes, standards and communication tools to improve service delivery in the future. It is intended to repeat and expand the survey in accordance with NSW Government strategies under the State Plan priority for improving service delivery and customer satisfaction.

Governance and risk

Corporate governance framework

DWE's 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. DWE 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 DWE 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 DWE Code of Conduct has been finalised and interim delegations for water, energy, financial, administrative and human resource management matters are in place. 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 DWE 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 range of consultants across five categories: economic, engineering, environmental, information technology and management services. 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 community organisations – in the form of grants and subsidies. Funds granted to non-government organisations are shown in Appendix 7.

Corporate and business planning

DWE's Corporate Plan 2007-2010 sets out the Department's results, planned outcomes and key strategies for the designated three years. Importantly, it also describes the performance indicators which will be used to measure DWE's success. The Plan assists DWE in responding to challenges and meeting the Government's objectives. The Plan provides 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 three years, it is intended to review its effectiveness in guiding DWE's activities every twelve 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 DWE. It aligns with the DWE Results and Services Plan which DWE agrees with NSW Treasury annually. Each division and branch of DWE is preparing a business plan to be approved by the Executive. These business plans 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.

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 DWE's decisions and activities. An internal audit program has been developed to minimise the risk of fraud and maximise efficiencies in all business processes. Unions have been fully engaged in the ongoing organisational development and change processes ensuring that industrial issues are managed effectively. Attention is also being focussed on workplace safety with the establishment of an executive level OHS Management Steering Committee. This committee is responsible for the development of OHS initiatives which are achievable, measurable and in line with corporate safety improvement targets.

Risk exposure assessment

As a new agency, having been established primarily from the former agencies of the Department of Natural Resources and the Department of Energy, Utilities and Sustainability, both of which had Risk Management Plans, it was necessary to review and develop a single corporate document. The Risk Registers of both former agencies have now been reviewed. Risks not relevant to the Department have been removed and a new combined Register reflecting the role, responsibilities and activities of the new agency has been established.

In the coming year it is intended to ratify the revised DWE Risk Register, develop mitigation strategies and finalise the DWE Risk Management Plan. This will become a tool for strategic planning and priority setting enabling risk assessment to be incorporated in decisions and activities. The document will be a living document updated as changing circumstances dictate.

Management reviews and audits

A series of reviews of DWE's management of the Energy Accounts Payment Assistance (EAPA) Scheme were undertaken. These were designed to determine the adequacy and effective operation of system controls. A number of opportunities for improving process controls were identified by the reviews and recommendations arising from the reviews have been implemented.

A review of DWE's processes for engaging externally contracted services was also conducted during April and June 2008. The review identified the need to redefine and re-issue DWE's policy and procedures governing the engagement and operational management of contracted services providers as well as the maintenance of adequate records. Action in relation to the review's recommendations has commenced.

Privacy

In the 2007-08 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 41 Freedom of Information (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.

Industrial relations

DWE has set up regular Joint Consultative Committee (JCC) arrangements to ensure it meets its obligations to consult with the various unions in relation to workplace change. DWE is committed to trying to resolve individual and agency wide issues through negotiation and conciliation as much as possible.

DWE employees are covered by three unions – the Public Service Association (PSA), the Association of Professional Engineers, Scientists and Managers Australia (APESMA) and the Australian Workers Union (AWU). The JCC met once a month throughout 2007-08 rotating between metropolitan and regional offices. Membership of the JCC consists of union officials and delegates from all three unions plus management representatives.

Major challenges centred on the changes flowing from the Machinery of Government split of functional responsibilities, staff and assets between a number of departments. Through the JCC process DWE successfully negotiated uniform employment conditions across the new agency with no disputation. Specific issues included:

- An interim recruitment process to manage the complexities of having establishment issues managed by two outsourced service providers
- Extensive negotiations on a department-wide Flexible Working Hours Agreement to replace the three agreements which resulted from the merger of staff from different agencies
- A process for union consultation during structural reviews that were required to clarify roles and responsibilities for all staff where functions and reporting structures had been affected by machinery of government changes
- New and merged policies such as the DWE Job Evaluation process and a DWE OHS Management System
- The impact of changes to major legislation on the role of regulatory officers in DWE. The need for extensive training and development of reference manuals was identified and discussed
- The requirement for an additional responsibilities allowance for specific staff in offices where structural changes have resulted in no designated officer in charge or supervisor of premises role.

Occupational Health and Safety

The key purpose of DWE's occupational health and safety (OHS) strategies is to raise awareness and understanding of OHS issues and provide tools to enable managers and staff to improve workplace safety. DWE is committed to achieving the workplace health and safety and injury management targets outlined in the NSW Government's document *Working Together: Public Sector OHS and Injury Management Strategy 2005-2008*. These targets include:

- A reduction in workplace incidents
- Improvement in return-to-work outcomes
- A reduction in the average cost of workers compensation claims.

With the establishment of DWE, an Occupational Health and Safety Policy was developed along with other core OHS policies and guidelines including:

- OHS Responsibilities
- Consultation Statement
- OHS Issues Resolution Procedure
- Hazard Identification, Risk Assessment and Control Policy
- Incident Reporting and Investigation
- Injury Management
- Return-To-Work.

DWE has established and implemented the OHS Consultation Framework to assist in consulting with staff. This hierarchical system comprises an OHS Committee, OHS employee representatives and vocational representatives.

DWE is committed to continually improving OHS awareness and OHS culture through:

- The provision of a weekly OHS report to the Executive Committee
- Continued support of the OHS Management Steering Committee
- Establishment of an OHS Consultation Framework
- OHS information available on the DWE Intranet
- Vocational group bulletins
- Information sessions
- Including OHS on regular staff meeting agendas
- The OHSSupport@dwe.nsw.gov.au email address.

So, the focus to date has therefore been on staff consultation and awareness raising however no formal training of line managers has been completed.

OHS awareness raising amongst staff is an important part of DWE's risk management strategies



Table 4.1 OHS and injury management outcomes

Performance criteria	Performance 2007-08	Comment
Incident notifications	63	
No. of injuries	53	sprains and strains (28) open wound (5) superficial injury (8) burns (1) contusion (5) poisoning (1) hernia (1) psychological injury (2) fracture (1) foreign body in eye (1) no injury (10)
No. of injuries / 100 employees	7.7	
Workers compensation claims lodged in 2007-08	28	
Total active Workers Comp. claims at 30 June 2008	16	
Ave. cost of claim (\$)	78,789	At 30 June 2008 there were 3 claims that had reached the \$146,000 capped max. claims cost
Ave. time lost for 0-12 months claims (days)	12.1	
Ave. time lost for long term (1-5yrs) claims (days)	385	Time lost data for these claims has been taken from Allianz claims report.
No. of prosecutions for breaches of the OHS Act	0	There were no prosecutions for breaches of the OHS Act during this period.

From Table 4.1 it can be seen that baseline figures have been established from which DWE can measure improvement in performance.

In the coming year DWE will continue to provide OHS information, instruction and training to managers and staff. In addition DWE will continue to review other OHS policies and procedures with a focus on continued improvement in workplace safety. DWE will also achieve OHS improvements through the involvement of the Executive and managers in OHS planning and implementation of divisional OHS action plans. This will in turn allow measurement and evaluation of OHS performance.

People and culture

Change management

DWE undertook a number of activities to integrate the new Department. These included:

- Staff Survey
- DWE and staff priorities workshops
- Workgroup redesign and team building
- Personnel policies and practices development.

Staff survey

A survey of all DWE staff was conducted in November 2007 to establish base-line data for the new agency. Survey topics included:

- Direction and Role Clarity
- Ethics and Diversity
- Resources and Processes
- Safety
- Leadership and Supervision
- Recruitment and Selection
- Learning and Development
- Involvement
- Appraisal and Recognition
- Teamwork and Co-Workers
- Wellness and Balance
- Customer Service.

The survey was responded to by 85 per cent of staff. This excellent result indicates the success of the promotional program and the willingness of DWE staff to engage in voicing their opinion on matters which affect them at work. The high response rate also ensured that the results could be interpreted with a high degree of confidence.

Key strengths of DWE were perceived to be Teamwork and Co-Workers, Local Supervision and Safety. Eighty one per cent of staff liked the work they do and the majority felt that their work gives them a feeling of personal accomplishment.

Key areas for improvement included appraisal and recognition, learning and development, leadership, customer service and clarity around roles and

responsibilities. The survey results on the key areas for improvement guided a number of major projects for the department including:

- Development of “Corporate Priorities to Individual Activities” (CPIA) workshops across the Department
- Implementation of a DWE Learning and Development Plan
- Development and implementation of a DWE Customer Survey
- Structural reviews
- Building a single DWE Intranet.

Projects aligned to the key areas for improvement included:

- Appraisal and Recognition – the CPIA workshops began the business planning and individual work planning processes which will underpin the performance feedback process
- Learning and Development – an initial learning and development calendar of courses was developed and funded to address key skill requirements for the Department
- Customer Service – although customer surveys had been undertaken previously the results were not widely known amongst staff. When the Customer Programs area conducted a Customer Survey the results were distributed across the Department
- Resources and Processes – the main issue for staff was lack of clarity about who does what in the new agency. The CPIA workshops clarified the business direction, and follow up business planning sessions further enhanced clarity regarding individuals’ roles and responsibilities
- Resources and Processes – structural (or functional) reviews of business units affected by changes in their functional role also helped to clarify the key functions of business units, their key performance indicators and suitable grouping of functions into roles (or positions).

A repeat survey is planned for early 2009. This will indicate whether the programs which have been introduced have made a measurable difference to staff satisfaction in the key areas for improvement.

DWE and staff priorities workshops

DWE developed a series of workshops to manage change by delivering consistent, clear corporate messages and information to staff. The workshops were called *From Corporate Priorities to Individual Activities* (CPIA). The start of the workshops coincided with DWE's first birthday. Each CPIA workshop acknowledged this anniversary as a time to celebrate DWE and to focus on the future. The purpose of the workshops was to provide an opportunity for staff to hear about the objectives of DWE directly from a member of the Executive Committee and to learn about corporate processes that link their own work to corporate priorities. The workshop topics were:

- DWE's Strategic Direction – presentation by a member of the Executive
- DWE Staff Survey Results
- Corporate Planning Framework
- Business Planning activity – taking participants through the business planning process and gathering ideas for input into their business plan.
- Risk Management activity – taking participants through a process to identify and analyse risks
- Individual Workplanning activity – taking participants through the steps involved in developing an individual workplan.

As staff attended with their workgroups and managers, there was the additional benefit of team building. Fifteen workshops were conducted around the state with 90 per cent of staff participating.

Workgroup redesign and team building

As a new Department formed from components of other public sector agencies, a significant challenge has been the review of workgroups and the development of new, more suitable organisational structures. Five division and branch level organisational reviews were completed with an additional eight commenced. These reviews were undertaken through staff consultation.

Further, a small number of workshops and meetings were facilitated to develop new teams and to clarify work roles, functional areas and team behavioural standards. These workshops and meetings gave staff the opportunity to meet and discuss a range of issues.

Personnel policies and practices

A major project has been undertaken during the year to develop and implement critical DWE human resources policies. Policy priorities were to:

- Promote key behaviours for managers and staff to ensure consistent behaviour and equitable treatment of colleagues and staff
- Streamline service delivery and compliance with legislative and government requirements.

As a result the following policies were developed and implemented:

- Code of Conduct and Ethics – Our Guide to Business Behaviour
- Grievance Management
- Preventing and Dealing with Harassment and Workplace Bullying
- Study Assistance
- Higher Duties
- Management of Sick Leave
- Secondary and Private Employment.

All policies have been placed on the DWE Intranet and promoted to staff.

Code of Conduct and Ethics

As indicated in the Corporate Plan, DWE aims to retain and attract the best people in a fair professional workplace and to deliver high quality cost-effective services for clients and customers. The plan to achieve these aims involves strategies such as promoting key behaviours for managers and staff to ensure consistent, appropriate behaviour and treatment of colleagues. DWE has developed a *Code of conduct and ethics – our guide to business behaviour* and promoted this to staff. The Code is available on the DWE Intranet. For the purposes of meeting the reporting requirements of new agencies under the Annual Reports Act the summary and a list of topics from the Code are provided in Appendix 10.

Workforce planning

DWE has identified that succession planning and creating a workforce more representative of the community it services are critical issues for the Department. To provide staff and managers with information and support about succession planning the Sage website has been promoted. In addition a knowledge transfer program was developed and trialled and will be implemented in 2008-09.

To address workforce planning strategically, work on a DWE Workforce Strategy 2008-2012 was commenced. Workforce analysis was undertaken and programs including an Employer of Choice Program, Employment Diversity Program and Succession Planning Program were identified for implementation. This will be finalised in the coming year.

It is also proposed to map the current DWE Job Family methodology for job design and evaluation to the proposed NSW Government Capabilities Framework.

Graduate Recruitment program

The existing two year Graduate Recruitment Program continued with the 2007 intake of graduates. The program is designed to give graduates three to four rotations of six months duration. Additional training in public service specific courses is provided as well as mentoring by senior experienced staff.

The Graduate Recruitment Program is a key strategy in DWE's workforce planning. It brings in new graduates with fresh ideas and gives them skills and experience across DWE. Over the two year program there is a transfer of knowledge from key older staff who are planning retirement in the next one to five years. The program thus enhances the ability of the Department to deal with forecast demographic changes.

A DWE mentoring program was piloted with the graduates early in the year. Mentors volunteered and were trained both separately from, and together with, the graduates. The mentor/mentee pairs which were established have continued throughout the year.

Both graduates and managers have commented on the success of the program. The agency has benefited from the skills and up to date knowledge of the graduates whilst the graduates have appreciated the opportunity to have a wide variety of experiences and training.

Learning and development

DWE has highly skilled and committed staff who value the opportunity to take part in continuous learning strategies. These include formal training, on-the-job development, secondment opportunities, attendance at conferences and study assistance.

Access to learning and development opportunities is a key attraction strategy which also assists in retaining staff. However the primary aim is to provide opportunities for staff to further develop skills which will enhance their productivity as well as develop their potential for career advancement. Central delivery of targeted courses designed to address skills needs across the Department is complemented by division and branch specific training arranged locally.

The DWE Staff Survey results indicated that staff were keen to have more learning and development opportunities. A number of targeted courses were run which were well attended and addressed key skills required. They covered a range of topics from OHS related matters to IT courses, policy development, financial management and stakeholder management. Evaluation sheets were distributed immediately after courses were delivered and follow up evaluations were also conducted two months later to check the usefulness of the training back at the workplace. The results of the two month follow up indicated that the courses had been valuable in teaching skills which were of relevance to the workplace.

A number of staff members were supported in undertaking the Executive Development Program, the Graduate Diploma in Public Administration and the Australia New Zealand School of Government (ANZSOG) Masters program. DWE continues to support staff undertaking tertiary studies relevant to the Department's business needs through the provision of study assistance.

An innovative Certificate IV level course for licensing staff was developed in conjunction with TAFE using competency units from the Public Sector Training Package. All 120 licensing staff will attend the course in the coming year.

A challenge for the year ahead will be the development and implementation of e-Learning as a central training and development tool that allows staff to access educational activities from their desktop. This will provide 'just-in-time' training on safety matters, performance management, customer relations, and other productivity enhancing tools in a very cost effective manner.

Equal employment opportunity

DWE remains committed to supporting equity and diversity and has developed an Equity and Diversity Plan and a Disability Action Plan. DWE continues the commitment to ensuring that access issues are taken into consideration during organisational change focusing on developing technology and consultation strategies to address these issues.

In addition, a new DWE Spokeswomen's program has been launched building on previous agencies' programs. The spokeswomen initiate and implement a range of strategic activities to support equity in DWE and participate in a number of developmental activities.

DWE continues to support the tri-agency (Department of Lands, Department of Planning and Department of Water and Energy) Aboriginal Support Network including regular meetings and National Aborigines and Islanders Day Observance Committee (NAIDOC) week activities.

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 organisational changes the focus has primarily been on developing the skills and knowledge of existing staff to facilitate their transition. DWE 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 Equal Employment Opportunity (EEO) strategies.

Table 4.2 Trends in the representation of EEO groups

EEO Group	% of Total Staff			% Achievement of target 2007	% Achievement of target 2008
	NSW Government Benchmark or Target	At 30 June 2007	At 30 June 2008		
Women	50	35	34	70	68
Aboriginal people and Torres Strait Islanders	2	1	1.5	50	75
People whose first language was not English	20	12	15	60	75
People with a disability	12	4	8	33	67
People with a disability requiring work-related adjustment	7	2	2.6	14	37
Average achievement level				45	64

Further EEO statistics are shown in Appendix 11.

DWE remains below the NSW Government targets for all five EEO groups as shown in Table 4.2. However the average extent of achievement of the relevant target across the five groups has increased from 45 per cent to 64 per cent. 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 had only a little time to have an impact although the results are encouraging.

A major focus of the DWE Workforce Strategy will be to address these shortfalls. In the coming year it is planned to re-survey to update EEO data, expand the DWE Grievance Contact Officer Network including training and conduct cultural awareness training to build skills for closer collaboration with Aboriginal communities.

Staff turnover

Approximate figures have been obtained from a number of sources to estimate the extent of turnover in DWE during the year. At 30 June 2007 DWE had 684 staff. Around 64 new staff joined DWE and 60 departed. This includes permanent and temporary, full time and part time and SES contract staff.

So, by 30 June 2008 total staff (headcount) had increased by 0.5 per cent and rate of turnover was about nine per cent. These are approximate figures based on limited data. Comparable figures are not available for previous years.

The creation of one Human Resources Management Information System (HRMIS) for all of DWE means this issue will be fully and more accurately addressed in 2008-09. In addition, exit interview forms and support documentation have been placed on the Intranet to assist managers gather information from exiting staff.

The DWE spokeswomen initiate and implement a range of strategic activities to support equity in DWE and participate in a number of developmental activities



Systems, processes and information resources

Re-engineering business processes

DWE has developed and deployed a number of web based applications that allow customers to provide information electronically as required by regulation. These new systems replace a manual and time consuming approach that had a greater risk of error due to the number of data entry points. They offer customers historical views of past information provided, ease of access and precedents that confirm irregular data is incorrect.

An audit has commenced to review systems, their development and life cycle management with a view to ascertain business intelligence offered, fitness for purpose, component reliance, infrastructure dependency, inter-connectivity automation and manual dependencies and workflow. These capability dimensions will assist in the business process review and help ascertain the aspects that require greater integration and automation to facilitate more streamlined systems that will assist with efficiency gains.

A major system review of the intranets of the previous agencies has highlighted business intelligence and workflow requirements that will be addressed in development and business plans in the coming year.

The new DWE Intranet has consolidated diverse contact information, policies and procedures and is a highly used and timely information source for staff.

A number of policies and procedures have been re-written to reflect the changing and differing requirements of two Information Communication and Technology (IC&T) providers within the one department. They have addressed previous differing work practices and identified a new process that allows the business to become prudent and holistic whilst streamlining the processes previously used.

Human resources systems alignment

At the beginning of the year, outsourced provision of human resources payroll, establishment and recruitment services was being delivered to DWE by two providers. This caused difficulties in reporting and in recruitment where the establishment data was held on two different systems. Outsourcing arrangements with the Central Corporate Services Unit (CCSU) were reviewed and in March the decision was made to transfer the details of 130 staff over to the Corporate Shared Services (CSS) unit within the Department of Commerce. This consolidated all staff data onto a single system with associated improvements in efficiency and reduction in complexity. The coming year 2008-09 will be the first full year where DWE will be able to report as one agency.

Common and consistent systems, procedures, standards and controls

As a new agency, DWE inherited a myriad of systems, procedures, standards, controls and administrative practices. This needed to be addressed to ensure consistency and uniformity of practices, facilitate savings and to maximise economies of scale.

It was necessary to design and implement standardised practices for:

- Asset addition, disposal and transfer
- A range of procurement practices (e.g. business cards)
- Fleet administration (e.g. motor vehicle running sheet)
- Payment of facility related accounts
- Energy savings practices.

Significant progress has been achieved in re-engineering business processes to adapt to DWE's requirements with endorsed policies and procedures posted on the Intranet to enable easy access for all staff. Standardised fleet lists and procedures have been established which are designed to minimise the environmental impact of the fleet in a financially responsible way. Standardised mail procedures have reduced or eliminated the need for staff to collect and deliver mail away from the office. The Department is awaiting automatic transactions for banking and receiving payments, which will have a substantial, positive impact on the administration area.

In total 82 staff were migrated from other office networks onto the Elizabeth Street, Sydney network. This allowed unified access to core applications and provided a more common approach to standardised hardware and applications. It also permitted streamlining of duplicate system usage toward one common goal and allowed greater efficiency as the staff who were migrated were a critical conduit to the regulation compliance aspect of departmental activities.

A telecommunications 'pipe' was put in place to ensure that common application usage was available and the information required was at hand. This achieved consolidation of a number of departmental record and ministerial tracking systems consolidated to one common systems.

Remote access through enhanced Citrix connectivity, such as for hand held devices, has improved. A centralised tracking system has provided a common repository for tracking and initiating Ministerial correspondence. The temporary solutions allow access to systems and also afford accommodation to meet security standards and controls for both networks.

Service level agreements and client management strategies

The IT service providers who are part of the Department of Commerce have undergone a large restructure and realignment of the way they will offer services in the future. The impact of this restructure to DWE is that the costing model is still to be determined, service level agreements have not been finalised and appointment of permanent staff to key roles has meant that the capacity and capability to deliver services cannot be confirmed.

Managing priorities and business requirements is currently officiated through client meetings and exchange of job requests through the two IT help desk support services escalation points. It is envisaged that service level requirements and associated costs will be defined and implemented over the next twelve months.

Information management and technology strategic plan

In accordance with the State Plan, agencies are moving toward shared corporate services for Information Technology delivery. DWE is awaiting a decision from Service First as to cost models, service level agreement and ability to provide services. Once a decision has been reached, an Information Management and Technology Strategic Plan will be developed. It will include a benefits realisation module and change management plan to address aspects relating to model and architecture readiness, collaboration and stakeholder engagement, data assets and requirements, provisions for governance, leaders and champions for innovation, cluster level and departmental compatibility, performance evaluation, project and resource management. The plan will also address technology acceptance, compatibility and knowledge.

Electronic service delivery

DWE offers a wide range of information services to all stakeholders on its website and is progressing towards delivery of customer transactional services online. 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), a joint initiative between DWE and State Water Corporation, discussed in the Water management chapter of this report.

Online security interest conversion tool

The Department has developed a new security interest conversion tool to enable online registration of security interests, such as mortgages and charges, in water access licences. This tool is on the DWE website.

Water Access Licence Certificates are issued by the Department of Lands and can only be issued when any security interests over land to which a water licence was attached under the *Water Act 1912* have been resolved.

The security interest conversion tool enables organisations which hold a security interest to resolve these interests within days, compared to previous methods relying on manual processing of written applications.

A number of banks are now using the online tool to register their security interests. As a result of its use, over 900 interest related transactions occurred between its commencement in 2007 and 30 June 2008.

Financial and asset management

Financial planning, budgeting and reporting

At DWE the Finance division is responsible for the efficient and effective delivery of financial management services that assist management in decision making and contribute to the achievement of corporate objectives.

This includes developing and recommending financial strategies to the Executive, developing and allocating budgets and monitoring DWE's financial performance through regular reporting to NSW Treasury, management and budget managers. The Finance division aims to promote financial accountability and control and facilitate effective resource allocation. Throughout 2007-08 strict budgetary control was maintained to ensure the Department did not exceed the Net Cost of Services limit. Further budgeting and reporting improvements will be introduced in 2008-09, assisting the relevance, timeliness and accuracy of the financial information used within DWE.

DWE received an unqualified audit opinion for the 2007-08 financial report and was able to resolve a number of longstanding financial accounting legacy issues to the satisfaction of the Auditor-General.

Outsourced financial operations

The Finance division oversees the outsourced provision of external transactional financial services. Water management invoicing is outsourced to State Water Corporation and the remaining transactional services, including accounts payable, are outsourced to the Department of Commerce, through ServiceFirst. The Finance division provides the strategic financial framework, policies and systems necessary to ensure financial accountability and works closely with ServiceFirst and State Water Corporation to ensure the financial integrity of accounting processes and control procedures.

A report on payment of accounts at 30 June 2008 is shown in Appendix 12.

Corporate Credit Cards

Subject to meeting Departmental requirements, eligible staff members are issued with corporate credit cards to facilitate travel, accommodation and limited purchases. DWE'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

DWE's insurance cover is through NSW Treasury Managed Fund and provides cover for all insurance exposures faced by the general government sector. 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 DWE's planned results and outcomes.

The carrying value of DWE's major assets, such as buildings, bores and data systems (but excluding land) is \$46.802 M as detailed in Appendix 13. 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 14.

The Deniliquin (left) and Leeton buildings (right) are among DWE's 42 offices around the state. This large asset portfolio needs to be managed strategically.



Asset utilisation and disposal strategy

DWE is a new agency, having been established primarily from an amalgam of the former agencies Department of Natural Resources (DNR), and Department of Energy, Utilities and Sustainability (DEUS). DWE Assets staff participated in major projects with the State Property Authority and Dept of Commerce (ServiceFirst), and other former DNR stakeholder agencies (e.g. DECC, Lands), to determine ownership of all former DNR assets.

In the finalisation of the former DNR asset reallocation, property in particular was examined to determine whether the business needs of DWE were served by retention or disposal. This is an ongoing program which aims to ensure the Department retains only those assets necessary to conduct its business. The benefits include reduced costs associated with the management and maintenance of the asset and potential income from the sale of the asset.

DWE set out to:

- Assist in finalising the allocation of former DNR assets to appropriate legacy agencies
- Review DWE's revised asset register and rectify anomalies
- Gain approval to dispose of property deemed surplus to DWE needs
- Determine the title of property allocated to DWE.

DWE achieved endorsement for sale by the Government Assets Management Committee (GAMC) of properties deemed surplus and worked in partnership with other agencies such as State Water Corporation to identify properties to be vested.

The challenges in undertaking this were:

- The number of agencies involved in the former DNR asset split
- The joint usage by new agencies of many former DNR assets
- The difficulty in determining ownership based on Land Titles and legal interpretation of legislation which impacts on property ownership.

In the coming year we will undertake a DWE asset stocktake and determine title of property currently held in the name of DWE and its predecessor agencies and legal titles.

Government Energy Management Policy

The Department'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. Detailed reporting on energy use performance is provided biennially and scheduled for 2008-09.

Fleet management

DWE aims to provide a corporate motor vehicle fleet which services the wide range of needs of its users, supporting the delivery of essential corporate products and services and which complies with public sector standards and benchmarks in terms of overall cost and environmental scores.

Two fleets from former agencies have been merged and rationalised, a DWE Motor Vehicle Policy and Departmental usage guidelines have been prepared, a DWE 'preferred vehicle' listing was implemented and the number of vehicles in the fleet attracting lease penalties has been considerably reduced – from 41 to 4. Further, DWE's Clean Fleet average score as measured under the NSW Government's Clean Fleet Program was improved by more than ten per cent from 7.9 to 8.9, generating environmental benefits.

Procurement

DWE is implementing a suite of procurement procedures which comply with Public Sector best practice guidelines. Procurement practices are designed to achieve savings through aggregation of goods and services by way of preferred supplier agreements, standardisation of equipment and staff adherence to Government purchasing policies.

Significant savings continue to be achieved through these strategies. 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.



DWE 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. DWE's performance under the WRAPP is reported in Appendix 15.

Implementing pricing determinations

Under section 18 of the Independent Pricing and Regulatory Tribunal (IPART) Act, DWE, on behalf of the Water Administration Ministerial Corporation, is required to publish how it has implemented IPART's bulk water pricing determination. IPART's current (2006) determination set the water management fees and charges to apply in 2007-08.

The normal billing practice is for State Water Corporation to invoice water management charges annually in arrears on behalf of DWE. During 2007-08, all invoices for 2006-07 charges were issued. In addition, invoices for 2005-06 charges were issued during the year. The delay in billing the latter charges was due to introduction of revised billing arrangements between DWE and State Water.



Part 3

Financial statements

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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 2008, the operating statement, statement of recognised income and expense, cash flow statement, program statement - expenses and revenues and a summary of compliance with financial directives for the year then ended, 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 at 30 June 2008, and its financial performance and cash flows for the year then ended 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.

My opinion should be read in conjunction with the rest of this report.

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 controls 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 controls 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 controls. 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.

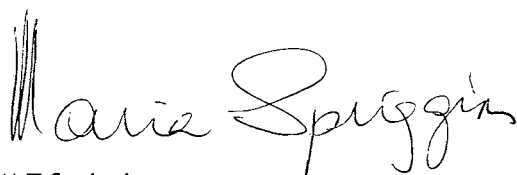
My opinion does *not* provide assurance:

- 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 of New South Wales 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.



M T Spriggins
Director, Financial Audit Services

20 October 2008
SYDNEY



NSW Government

Department of Water & Energy

**Statement from Department Head
Required by Section 45F (1B) and (1C) of the
Public Finance and Audit Act 1983**

Pursuant to the 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 (which include Australian Accounting Interpretations);
 - Other authoritative pronouncements of the Australian Accounting Standards Board;
 - The requirements of the *Public Finance and Audit Act 1983* and 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 financial 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'.

Mark Duffy
Director-General

20 October 2008

**Department of Water and Energy
Operating Statement
for the year ended 30 June 2008**

		Actual 2008	Budget 2008	Actual For the period 27 April to 30 June 2007 \$'000
	Notes	\$'000	\$'000	
Expenses excluding losses				
Operating expenses				
Employee related expenses	2(a)	66,534	59,716	11,949
Other operating expenses	2(b)	42,363	27,458	7,406
Depreciation and amortisation	2(c)	2,136	6,090	230
Grants and subsidies	2(d)	330,688	364,556	60,326
Finance costs	2(e)	164	163	45
Other expenses	2(f)	25,907	27,263	-
Total Expenses excluding losses		467,792	485,246	79,956
Revenue				
Rendering of services	3(a)	39,584	45,364	7,762
Investment revenue	3(b)	3,611	1,179	1,498
Grants and contributions	3(c)	15,802	24,442	4,026
Other revenue	3(d)	11,972	1,502	1,701
Total Revenue		70,969	72,487	14,987
Loss on disposal	4	(9)	(1,810)	(34)
Share of operating result of Joint Ventures accounted for under the equity accounting method	16	(22,142)	-	(5,647)
Net Cost of Services	26	(418,974)	(414,569)	(70,650)
Government Contributions				
Recurrent appropriation	5	419,672	428,752	72,707
Capital appropriation	5	6,750	7,855	1,977
Acceptance by the Crown Entity of employee benefits and other liabilities	6	6,782	6,125	1,741
Total Government Contributions		433,204	442,732	76,425
SURPLUS FOR THE YEAR		14,230	28,163	5,775

The accompanying notes form part of these financial statements.

Department of Water and Energy
Statement of Recognised Income and Expense
for the year ended 30 June 2008

		Actual 2008	Budget 2008	Actual For the period 27 April to 30 June 2007 \$'000
	Notes	\$'000	\$'000	
Increment on revaluation of investments accounted for under the equity method	21	25,655	-	3,979
Available for sale financial assets				
- Valuation gains	21	50	-	65
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		25,705	-	4,044
Surplus for the year		14,230	28,163	5,775
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	21	39,935	28,163	9,819

The accompanying notes form part of these financial statements.

Department of Water and Energy
Balance sheet
as at 30 June 2008

	Notes	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	9	72,750	53,924	54,767
Receivables	10	57,894	57,970	57,517
Financial assets at fair value	11	140	90	90
Other financial assets	12	226	196	184
Total Current Assets		131,010	112,180	112,558
Non-Current Assets				
Other financial assets	12	1,479	3,349	3,494
Property, plant and equipment	13			
- Land and buildings		22,174	23,129	22,377
- Plant and equipment		4,357	4,016	1,895
- Infrastructure systems		22,930	26,681	23,370
Total property, plant and equipment		49,461	53,826	47,642
Intangible assets	14	10,450	10,661	6,906
Investments accounted for under the equity method	16	683,168	679,412	651,221
Total Non-Current Assets		744,558	747,248	709,263
Total Assets		875,568	859,428	821,821
LIABILITIES				
Current Liabilities				
Payables	17	37,613	23,732	23,930
Borrowings	18	170	129	129
Provisions	19	10,732	8,464	8,111
Other	20	10,614	13,750	13,750
Total Current Liabilities		59,129	46,075	45,920
Non-Current Liabilities				
Borrowings	18	1,366	1,405	1,555
Provisions	19	857	791	523
Total Non-Current Liabilities		2,223	2,196	2,078
Total Liabilities		61,352	48,271	47,998
Net Assets		814,216	811,157	773,823
EQUITY				
Reserves	21	205,208	179,503	179,503
Accumulated funds	21	609,008	631,654	594,320
Total Equity		814,216	811,157	773,823

The accompanying notes form part of these financial statements.

**Department of Water and Energy
Cash Flow Statement
for the year ended 30 June 2008**

		Actual 2008	Budget 2008	Actual For the period 27 April to 30 June 2007 \$'000
	Notes	\$'000	\$'000	
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(59,564)	(53,573)	(9,317)
Grants and subsidies		(366,346)	(365,356)	(53,683)
Finance costs		(164)	(163)	(45)
Other		(55,777)	(91,189)	(12,117)
Total Payments		(481,851)	(510,281)	(75,162)
Receipts				
Rendering of services		69,986	45,264	14,555
Interest received		3,810	1,179	595
Grants and contributions		15,802	-	3,775
Other		11,972	34,823	450
Total Receipts		101,570	81,266	19,375
Cash Flows From Government				
Recurrent appropriation	5	426,285	428,692	74,512
Capital appropriation (excluding equity appropriations)	5	6,750	7,855	1,977
Net Cash Flows From Government		433,035	436,547	76,489
NET CASH FLOWS FROM OPERATING ACTIVITIES	26	52,754	7,532	20,702
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems	4	16	840	-
Advance repayments received		210	133	-
Purchases of land and buildings, plant and equipment and infrastructure systems		(2,526)	(9,198)	(308)
Purchases of intangibles assets		(3,890)	-	-
Purchases of investments accounted for under the equity method		(28,434)	-	(6,583)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(34,624)	(8,225)	(6,891)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings and advances		-	-	1,931
Repayment of borrowings and advances		(147)	(150)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(147)	(150)	1,931
NET INCREASE (DECREASE) IN CASH		17,983	(843)	15,742
Opening cash and cash equivalents		54,767	54,767	-
Cash transferred in as a result of administrative restructuring	22	-	-	39,025
CLOSING CASH AND CASH EQUIVALENTS	9	72,750	53,924	54,767

The accompanying notes form part of these financial statements.

Department of Water and Energy
Program Statement – Expenses and Revenues
for the year ended 30 June 2008

DEPARTMENT'S EXPENSES AND REVENUES	Program 1 *	Program 2 *	Program 3 *	Not Attributable **		Total
	2008 \$'000	2008 \$'000	2008 \$'000	2008 \$'000	2007 \$'000	2008 \$'000
Expenses Excluding Losses						
Operating expenses						
• Employee related	8,770	52,608	5,156	-	11,949	66,534
• Other operating expenses	10,041	30,435	1,887	-	7,406	42,363
Depreciation and amortisation	207	1,807	122	-	230	2,136
Grants and subsidies	138,351	99,383	92,954	-	60,326	330,688
Finance Costs	164	-	-	-	45	164
Other Expenses	-	25,907	-	-	-	25,907
Total Expenses excluding losses	157,533	210,140	100,119	-	79,956	467,792
Revenue						
Rendering of services	-	39,286	298	-	7,762	39,584
Investment income	614	2,708	289	-	1,498	3,611
Grants and contributions	7,935	912	6,955	-	4,026	15,802
Other revenue	479	11,485	8	-	1,701	11,972
Total Revenue	9,028	54,391	7,550	-	14,987	70,969
Loss on disposal	(1)	(7)	(1)	-	(34)	(9)
Share of operating result of Joint Ventures accounted for under the equity method	-	-	(22,142)	-	(5,647)	(22,142)
Net Cost of Services	148,506	155,756	114,712	-	(70,650)	418,974
Government contributions **	-	-	-	433,204	76,425	433,204
NET EXPENDITURE / (REVENUE) FOR THE YEAR	148,506	155,756	114,712	(433,204)	5,775	(14,230)
						5,775

* The name and purpose of each program are summarised in Note 8.

** Appropriations are made on an agency basis and not to individual programs. Consequently, government contributions are included in the 'Not Attributable' column.

The 2007 comparatives are disclosed in the 'Not Attributable' column as a result of the Department being established in April 2007 and as such being unable to reliably present financial information on a program basis.

Department of Water and Energy
Program Statement – Expenses and Revenues
for the year ended 30 June 2008

(Cont'd)

	Program 1 *	Program 2 *	Program 3 *	Not Attributable **		Total	
	2008 \$'000	2008 \$'000	2008 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
ADMINISTERED EXPENSES AND REVENUES							
Administered Expenses Transfer payments	-	22,434	-	-	7,850	22,434	7,850
Total Administered Expenses							
Administered Revenues Consolidated Fund	-	22,434	-	-	7,850	22,434	7,850
• Other (transfer receipts)	-	22,434	-	-	7,850	22,434	7,850
Total Administered Revenues							
	-	22,434	-	-	7,850	22,434	7,850
Administered Revenues less Expenses							
	-	-	-	-	-	-	-

* The name and purpose of each program are summarised in Note 8.

** Appropriations are made on an agency basis and not to individual programs. Consequently, government contributions are included in the 'Not Attributable' column.

The 2007 comparatives are disclosed in the 'Not Attributable' column as a result of the Department being established in April 2007 and as such being unable to reliably present financial information on a program basis.

Department of Water and Energy
Summary of Compliance with Financial Directives
for the year ended 30 June 2008

	2008				For the period 27 April to 30 June 2007			
	Recurrent Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000	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	372,822	341,091	7,855	5,941	-	-	-	-
• s24 PF&AA - transfers of functions between Departments	220	220	-	-	228,561	78,307	6,505	1,990
• s26 PF&AA - Commonwealth specific purpose payments	79,500	48,860	-	-	-	-	-	-
	452,542	390,171	7,855	5,941	228,561	78,307	6,505	1,990
OTHER APPROPRIATIONS / EXPENDITURE								
• Treasurer's Advance	48,300	48,300	-	-	-	-	-	-
• s22 PF&AA - expenditure for certain services or works	-	-	-	-	2,250	2,250	-	-
• Transfers to / from another agency (s32 of the Appropriation Act)	3,635	3,635	809	809	-	-	-	-
	51,935	51,935	809	809	2,250	2,250	-	-
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	504,477	442,106	8,664	6,750	230,811	80,557	6,505	1,990
Amount draw down against Appropriation		452,247		7,223		83,593		2,955
Liability to Consolidated Fund*		(10,141)		(473)		(3,036)		(965)

The Summary of Compliance is based on the assumption that Consolidated Fund monies are spent first.

* The "Liability to Consolidated Fund" represents the difference between the "Amount drawn against Appropriation" and the "Total Expenditure / Net Claim" on Consolidated Fund". Variation between "Recurrent Appropriation" and "Expenditure / Net Claim on Consolidated Fund" relates to savings in expenditure on Treasury Protected Items (\$32m) and reduced Commonwealth Specific Purpose Payments (\$31m). Variation between "Capital Appropriation" and "Expenditure / Net Claim on Consolidated Fund" relates to variations in expenditure on specific capital projects due to timing of project payments.

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*.

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 2008 has been authorised for issue by the Director-General on 20 October 2008.

(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 Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* 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 at 'fair value through profit or loss' and available for sale are measured at fair value unless otherwise stated. Other financial report 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 Australian Accounting Interpretations.

(d) Administered activities

Other than transfer payments and receipts undertaken in relation to the State Water Corporation, the Department does not undertake any 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.

(i) Parliamentary Appropriations and Contributions

Except as specified below, parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenue when the Department obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash. Appropriations are not recognised as revenue in the following circumstances:

- Unspent appropriations are recognised as liabilities rather than revenue, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund. 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 "Administered assets and liabilities".

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(ii) Rendering of services

Revenue is recognised when the service is provided or by reference to the stage of completion.

(iii) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*. Rental revenue is recognised in accordance with AASB 117 *Leases* on a straight-line basis over the lease term.

(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.

The Department's annual leave obligations are expected to be settled within a 12 month period. As a result, the Department does not have any long-term annual leave provision.

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.

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 (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. 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.

If the effect of the time value of money is material, provisions are discounted at 7.25% p.a., which is a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 that:

- 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 and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the cash flow statement on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(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 at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 1(y)).

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*.

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.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

Unless otherwise stated, the Department revalues each class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

The last revaluation of Land and Buildings was completed by the former Department of Infrastructure, Planning and Natural Resources (DIPNR) in June 2005 and was based on an independent assessment. Assets of DIPNR were transferred to the former Department of Natural Resources in August 2005 which were subsequently then transferred to this Department in April 2007. Valuation indices produced by an independent valuer, spanning the period June 2005 to June 2008, indicate no material movement in the fair value of Land and Buildings during this time. As a result, the carrying amount of land and buildings at 30 June 2008 has not been adjusted.

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) *Revaluation of property, plant and equipment (cont'd)*

The Department's infrastructure assets are disclosed in the Department's financial statements at the carrying amount transferred from the former Department of Natural Resources in April 2007 less depreciation to June 2008.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus / deficit, the increment is recognised immediately as revenue in the surplus / deficit.

Revaluation decrements are recognised immediately as expenses in the surplus / deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(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.

Land is not a depreciable asset.

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

Contained in each of the asset classes are "works in progress" items which are not depreciated until they are commissioned and available for use.

Useful lives for depreciable assets are as follows:

	Useful life (years)
Land	
Land	N/A
Buildings	
Buildings and Cottages	25-40
Land Improvements	25
Leasehold Improvements	2-12

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Depreciation of property, plant and equipment (cont'd)

	Useful life (years)
Plant and Equipment	
Computer Equipment	4
Furniture	4-10
Scientific Instruments Mechanical	2-7
Marine Craft	5
Motor Vehicles	5-15
Other Plant and Equipment	2-15
Infrastructure	
Water Infrastructure	10-50

(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.

(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 10 years in the case of specialist water monitoring software and 4 years for other software.

(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.

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) *Investments*

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

- *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 Department commits 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.

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) *Derecognition 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) 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.

The Department assesses impairment of its joint venture assets on an annual basis.

(x) Other assets

Other assets are recognised on cost basis.

(y) 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 contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Australian 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.

(z) 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.

(aa) 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 derecognition.

(ab) Budgeted amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s 24 and / or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the operating statement and the cash flow statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the balance sheet, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts; i.e. per the audited financial statements (rather than carried forward estimates).

(ac) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

Comparative information has been restated where necessary to be consistent with the disclosures for the year ended 30 June 2008.

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ad) Assets not able to be reliably measured

As stated the activities of the Water Administration Ministerial Corporation are incorporated into the Department's financial statements. The Water Administration Corporation holds certain assets that have not been recognised in the balance sheet as the assets cannot be reliably measured.

These assets are environmental water licences vested in the name of the Water Administration Ministerial Corporation as issued under the *Water Management Act 2000* and *Water Act 1912*.

(ae) New Australian Accounting Standards Issued but not effective

At reporting date, the following list of Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board had been issued, but were not yet operative. These accounting standards have not been early adopted by the Department on the basis that NSW Treasury Mandate (TC 08/04) precludes this.

Accounting Standard	Application Date for Annual Reporting Periods Beginning on or after
AASB 1004 Contributions	1 July 2008
AASB 1049 Whole of Government and General Government Sector Financial Reporting	1 July 2008
AASB 1050 Administered Items	1 July 2008
AASB 1052 Disaggregated Disclosures	1 July 2008
AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101	1 January 2008
AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AAS's 27, 29 and 31	1 July 2008
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2008
AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101	1 January 2008
UIG Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities	1 July 2008

The Department has assessed these new accounting standards and it is anticipated that, other than matters pertaining to presentation, there will be no material financial impact from their adoption in future periods on the financial report.

2 EXPENSES EXCLUDING LOSSES

	2008 \$'000	For the period 27 April to 30 June 2007 \$'000
(a) Employee related expenses		
Salaries and wages (including recreation leave)	53,138	8,382
Superannuation - defined benefit plans	3,832	1,272
Superannuation - defined contribution plans	2,669	989
Long service leave	2,695	285
Workers compensation insurance	63	163
Payroll tax and fringe benefit tax	4,137	858
	66,534	11,949

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

2 EXPENSES EXCLUDING LOSSES (cont'd)

	2008 '000	For the period 27 April to 30 June 2007 \$'000
(b) Other operating expenses include the following:		
Advertising and Promotion	2,351	71
Auditor's remuneration - audit or review of the financial reports	102	161
Other administration	594	365
Computer costs	719	425
Consultants and contractors	2,394	1,137
Fees for services rendered	7,743	2,407
Insurance - general	19	35
Minor equipment purchases	2,461	541
Motor vehicle expenses	4,052	321
Operating lease rental expense - outgoing	1,510	173
Operating lease rental expense - minimum lease payments	4,907	191
Postage and telephone	1,178	152
Printing	281	53
Stores, stationery and materials	223	44
Training (staff development)	434	72
Travel	2,336	435
Impairment of assets and bad debts	3,821	279
Contract payments relating to the Country Towns Water Supply and Sewerage Scheme Program	3,856	97
Energy rebate scheme administration costs	618	106
Maintenance expenses - contracted labour and other (non-employee related)	2,764	341
	42,363	7,406
(c) Depreciation and amortisation expense		
<i>Depreciation</i>		
Land and Buildings	461	45
Plant and Equipment	534	91
Infrastructure Systems	536	36
Total Depreciation	1,531	172
<i>Amortisation of intangible assets</i>		
Computer Software	605	58
Total Amortisation	605	58
Total Depreciation and Amortisation expense	2,136	230
(d) Grants and subsidies		
Alternative funding subsidy	53	188
Country Towns Water Supply and Sewerage Scheme Program	31,335	11,500
Life support rebates	2,805	448
Renewable Remote Power Generation Program	7,487	375
Pensioner energy rebates	74,059	12,667
Energy Accounts payment assistance	7,966	1,289
Sustainable Energy Research and Development	49	-
Achieving Sustainable Groundwater Entitlements Program	95,245	-
Other grants and subsidies	2,214	9,539
Water and Sewerage Assistance to Sydney Water Corporation	94,826	21,423
Water and Sewerage Assistance to Hunter Water Corporation	11,727	2,697
Country Energy - Operating Subsidy	1,682	-
Subsidy - NSW Dams Safety Committee	1,240	200
	330,688	60,326

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

2 EXPENSES EXCLUDING LOSSES (cont'd)

	2008 '000	For the period 27 April to 30 June 2007 \$'000
(e) Finance costs		
Interest expense	164	45
	<u>164</u>	<u>45</u>
(f) Other expenses		
Contribution to Irrigation Areas	21,162	-
Great Artesian Basin Sustainability Initiative	4,745	-
	<u>25,907</u>	<u>-</u>

3 REVENUES

(a) Rendering of services		
Fees for services	16,404	4,717
Income from water operations	23,180	3,045
	<u>39,584</u>	<u>7,762</u>
(b) Investment revenue		
Interest revenue	3,611	1,498
	<u>3,611</u>	<u>1,498</u>
(c) Grants and contributions		
Contributions to Country Towns Water Supply and Sewerage Program	1,793	1,679
Contributions to Renewable Remote Power Generation Program	6,024	2,321
Other grants and contributions	7,985	26
	<u>15,802</u>	<u>4,026</u>
(d) Other revenue		
Recoveries - Other	740	62
Recoveries - Murray-Darling Basin Commission and Dumaresq-Barwon Border Rivers Commission	11,232	1,639
	<u>11,972</u>	<u>1,701</u>

4 LOSS ON DISPOSAL

Loss on disposal of property, plant and equipment		
Proceeds from disposal	16	-
Written down value of assets disposed	(25)	(34)
Net loss on disposal of property, plant and equipment	<u>(9)</u>	<u>(34)</u>

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

5 APPROPRIATIONS

For the
period 27
April to 30
June 2007
2008
'000 \$'000

Recurrent appropriations

Total recurrent draw-downs from NSW Treasury (per Summary of Compliance)	452,247	83,593
Less: Liability to Consolidated Fund (per Summary of Compliance)	(10,141)	(3,036)
	442,106	80,557

Comprising:

Recurrent appropriations (per Operating Statement)	419,672	72,707
Transfer payments	22,434	7,850
	442,106	80,557

The cash flows from recurrent appropriations does not match the value in this note as it includes the movement in the liability to Consolidated Fund during the year.

Capital appropriations

Total capital draw-downs from NSW Treasury (per Summary of Compliance)	7,223	2,942
Less: Liability to Consolidated Fund (per Summary of Compliance)	(473)	(965)
	6,750	1,977

Comprising:

Capital appropriations (per Operating Statement)	6,750	1,977
	6,750	1,977

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 – defined benefit plans	3,832	1,280
Long Service Leave	2,695	433
Payroll tax	255	28
	6,782	1,741

7 TRANSFER PAYMENTS

Contribution to State Water Corporation	22,434	7,850
	22,434	7,850

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.

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

8 PROGRAMS / ACTIVITIES OF THE DEPARTMENT (cont'd)

(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.

9 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2008 \$'000	2007 \$'000
Cash at bank and on hand	72,750	54,767
	<u>72,750</u>	<u>54,767</u>

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash at bank and cash on hand.

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)	72,750	54,767
Closing cash and cash equivalents (per Cash Flow Statement)	<u>72,750</u>	<u>54,767</u>

10 CURRENT ASSETS - RECEIVABLES

Trade and Sundry debtors	33,196	29,783
Goods and Services Tax recoverable from the Australian Taxation Office	2,685	4,131
Accrued income	22,554	21,886
Interest receivable	1,895	2,094
Less: Allowance for Impairment	<u>(2,436)</u>	<u>(377)</u>
	<u>57,894</u>	<u>57,517</u>

Movement in the allowance for impairment

Balance at 1 July	377	-
Amounts transferred in from the former Department of Natural Resources	-	98
Amounts recovered during the year	(369)	-
Increase in allowance recognised in the profit and loss	<u>2,428</u>	<u>279</u>
Balance at 30 June	<u>2,436</u>	<u>377</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 27.

11 CURRENT / NON-CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE

Current

Available-for-sale financial assets

Shares in company listed on Australian Stock Exchange	140	90
	<u>140</u>	<u>90</u>

Refer to Note 27 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

12 CURRENT / NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	2008 \$'000	2007 \$'000
Current		
Other loans and deposits	50	50
Backlog sewerage loans	176	134
	<u>226</u>	<u>184</u>
Non-current		
Other loans and deposits	3,830	3,886
Less: Allowance for Impairment	(3,656)	(1,893)
Backlog sewerage loans	1,305	1,501
	<u>1,479</u>	<u>3,494</u>
<i>Movement in the allowance for impairment</i>		
Balance at 1 July	1,893	-
Amounts transferred in from the former Department of Natural Resources	-	1,893
Increase in allowance recognised in the profit and loss	1,763	-
Balance at 30 June	<u>3,656</u>	<u>1,893</u>

Refer to Note 27 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

13 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Total \$'000
At 1 July 2007 - Fair Value				
Gross carrying amount	22,896	3,104	24,299	50,299
Accumulated depreciation	(519)	(1,209)	(929)	(2,657)
Net carrying amount	<u>22,377</u>	<u>1,895</u>	<u>23,370</u>	<u>47,642</u>
At 30 June 2008 - Fair Value				
Gross carrying amount	22,756	7,058	23,591	53,405
Accumulated depreciation	(582)	(2,701)	(661)	(3,944)
Net carrying amount	<u>22,174</u>	<u>4,357</u>	<u>22,930</u>	<u>49,461</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
Year ended 30 June 2008				
Net carrying amount at start of year	22,377	1,895	23,370	47,642
Additions	1,576	1,299	61	2,936
Disposals	(25)	-	-	(25)
Depreciation expense	(461)	(534)	(536)	(1,531)
Transfers as a result of administrative restructure	(1,480)	2,074	(80)	514
Other movements	187	(377)	115	(75)
Net carrying amount at end of year	<u>22,174</u>	<u>4,357</u>	<u>22,930</u>	<u>49,461</u>

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

13 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land and Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Total \$'000
At 30 June 2007 - Fair Value				
Gross carrying amount	22,896	3,104	24,299	50,299
Accumulated Depreciation	(519)	(1,209)	(929)	(2,657)
Net carrying amount	22,377	1,895	23,370	47,642

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the previous reporting period is set out below.

	Land and Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Total \$'000
Year ended 30 June 2007				
Net carrying amount transferred in at 27 April 2007 (note 22)	21,927	1,659	24,894	48,480
Additions	312	278	-	590
Depreciation expense	(45)	(91)	(36)	(172)
Other movements	183	49	(1,488)	(1,256)
Net carrying amount at end of period	22,377	1,895	23,370	47,642

14 NON-CURRENT ASSETS - INTANGIBLE ASSETS

**Software
\$'000**

At 1 July 2007

Cost (gross carrying amount)	7,558
Accumulated amortisation and impairment	(652)
Net carrying amount	6,906

At 30 June 2008

Cost (gross carrying amount)	11,280
Accumulated amortisation and impairment	(830)
Net carrying amount	10,450

Year ended 30 June 2008

Net carrying amount at start of year	6,906
Additions	3,889
Amortisation (recognised in depreciation and amortisation)	(605)
Transfers as a result of administrative restructure	200
Other movements	60
Net carrying amount at end of year	10,450

At 30 June 2007

Cost (gross carrying amount)	7,558
Accumulated amortisation and impairment	(652)
Net carrying amount	6,906

Year ended 30 June 2007

Net carrying amount transferred in at 27 April 2007 (note 22)	6,367
Additions	632
Amortisation (recognised in depreciation and amortisation)	(58)
Other movements	(35)
Net carrying amount at end of period	6,906

Department of Water and Energy
Notes to the financial statements
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15 RESTRICTED ASSETS

Restricted net assets relate to unspent funds associated with the 'Sustainable Energy Research Development Fund', and a project relating to 'Climate Change and its impacts on water supply and demand in Sydney' and the amount repayable to the Consolidated Fund.

	2008 \$'000	2007 \$'000
Current		
Sustainable Energy Research Development Fund	358	386
Climate Change and its impacts on water supply and demand in Sydney	278	348
Amount repayable to the Consolidated Fund (refer note 20)	<u>10,614</u>	<u>4,001</u>
	11,250	4,735

The above amounts are recognised as restricted assets as there are specific legislative or contractual conditions associated with the use of these funds.

16 NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

Non-current Investments accounted for under the equity method

Murray-Darling Basin Commission	646,948	614,917
Dumaresq-Barwon Border Rivers Commission	<u>36,220</u>	<u>36,304</u>
	683,168	651,221

<i>(a) Joint venture entity: Murray-Darling Basin Commission</i>	<u>646,948</u>	<u>614,917</u>
--	----------------	----------------

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.

	2008	2007
Ownership interest:	26.67%	26.67%
Murray-Darling Commission reporting date	30 June	30 June
	2008 \$'000	2007 \$'000
Net assets un-audited (2007: audited)	<u>2,425,751</u>	<u>2,305,657</u>

Summarised financial information as at 30 June 2008

Balance Sheet

Assets

Current Assets

Cash and cash equivalents

517,062 535,567

Receivables

8,746 8,956

Other assets

824 824

Non-current assets

Infrastructure assets

1,845,247 1,765,078

Property, plant and equipment

10,281 10,935

Intangibles

83,784 6,576

Investment in joint venture entity

824 1,040

Other

762 392

Total assets

2,467,530 2,329,368

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

16 NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD
(con't)

	2008 \$'000	2007 \$'000
<i>(a) Joint venture entity: Murray-Darling Basin Commission (Cont'd)</i>		
Liabilities		
Current liabilities		
Payables	37,262	20,107
Employee provisions	3,368	2,323
Non-interest bearing liabilities	1,149	1,281
Total liabilities	41,779	23,711
Net Assets	2,425,751	2,305,657
Operating statement		
Revenues	173,093	131,289
Expenses	(141,662)	(110,713)
	31,431	20,576
Share of operating deficit from joint venture	(2,633)	(3,246)
Surplus for the year	28,798	17,330
Aggregate asset revaluation increment for the financial year	91,296	80,655
Share of Operating surplus (being for the period 27 April 2007 to 30 June 2007)		968
Share of operating surplus (being for the period 1 July 2007 to 30 June 2008)	7,681	
Contribution for the period 27 April 2007 to 30 June 2007		(6,583)
Contribution for the period 1 July 2007 to 30 June 2008	(27,384)	
Net result	(19,703)	(5,615)
<i>(b) Joint venture entity: Dumaresq-Barwon Border Rivers Commission</i>	36,220	36,304

The Dumaresq-Barwon Border 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.

	2008	2007
Ownership interest:	50.00%	50.00%
Dumaresq-Barwon Border Rivers Commission reporting date	30 June	30 June

	2008 \$'000	2007 \$'000
Net assets audited (2007: audited)	72,439	72,608

Summarised financial information as at 30 June 2008

Balance Sheet		
Assets		
Current Assets		
Cash and cash equivalents	2,340	2,053
Receivables	60	2,316
Non-current assets		
Property, plant and equipment	70,298	68,699
Total assets	72,698	73,068

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

16 NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD
(con't)

	2008 \$'000	2007 \$'000
<i>(b) Joint venture entity: Dumaresq-Barwon Border Rivers Commission (Cont'd)</i>		
Liabilities		
Current liabilities		
Payables	259	459
Total liabilities	259	459
Net Assets	<u>72,439</u>	<u>72,608</u>
Operating statement		
Revenues	245	2,315
Expenses	<u>(3,023)</u>	<u>(2,705)</u>
Loss for the year	<u>(2,778)</u>	<u>(390)</u>
Aggregate asset revaluation increment for the financial year	<u>2,608</u>	4,728
Share of Operating loss (being for the period 27 April 2007 to 30 June 2007)		(32)
Share of operating loss (being for the period 1 July 2007 to 30 June 2008)	(1,389)	
Contribution for the period 27 April 2007 to 30 June 2007		-
Contribution for the period 1 July 2007 to 30 June 2008	<u>(1,050)</u>	
Net result	<u>(2,439)</u>	<u>(32)</u>

17 CURRENT LIABILITIES – PAYABLES

Accrued salaries, wages and on-costs	397	289
Creditors	2,359	1,656
Accruals	20,444	20,899
Amounts payable to other NSW government agencies	8,896	-
Prepaid income	5,135	621
Other	382	465
	<u>37,613</u>	<u>23,930</u>

18 CURRENT / NON-CURRENT LIABILITIES - BORROWINGS

Current

Backlog Sewerage Loan	170	129
	<u>170</u>	<u>129</u>

Non-current

Backlog Sewerage Loan	1,366	1,555
	<u>1,366</u>	<u>1,555</u>

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

18 CURRENT / NON-CURRENT LIABILITIES - BORROWINGS (cont'd)

	2008 \$'000	2007 \$'000
Repayment of Borrowings (excluding finance leases)		
Not later than one year	170	129
Between one and five years	917	865
Later than five years	449	690
Total borrowings at face value (excluding finance leases)	<u>1,536</u>	<u>1,684</u>

19 CURRENT / NON-CURRENT LIABILITIES - PROVISIONS

Current		
Employee benefits and related on-costs		
Recreation leave	7,824	7,761
On-costs	2,908	350
	<u>10,732</u>	<u>8,111</u>

Non-current		
Employee benefits and related on-costs		
On-costs	113	256

Non-current		
Other		
Restoration costs	744	267
	<u>857</u>	<u>523</u>

Aggregate employee benefits and related on-costs		
Provisions - current	10,732	8,111
Provisions - non-current	113	256
Accrued salaries, wages and on-costs (Note 17)	397	289
	<u>11,242</u>	<u>8,656</u>

Movements in provisions (other than employee benefits)

Movements in the restoration provision during the financial year are set out below:

	2008 \$'000
Non-Current liabilities	
Carrying amount at the beginning of financial year	267
Additional provisions recognised	542
Unwinding / change in the discount rate	(65)
Carrying amount at end of financial year	<u>744</u>

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

20 CURRENT / NON-CURRENT LIABILITIES - OTHER

	2008 \$'000	2007 \$'000
Current		
Liability owing to Consolidated Fund	10,614	4,001
Liability to Country Towns Water Supply and Sewerage Scheme Program	-	9,749
	10,614	13,750

21 CHANGES IN EQUITY

	Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at the beginning of the year *	594,320	-	179,503	-	773,823	-
<u>Changes in equity - transactions with owners as owners</u>						
Increase in net assets from equity transfers (Note 22)	458	588,545	-	175,459	458	764,004
<u>Total</u>	458	588,545	-	175,459	458	764,004
<u>Changes in equity - other than transactions with owners as owners</u>						
Surplus for the year *	14,230	5,775	-	-	14,230	5,775
Increment on revaluation of:						
• Available for sale financial assets	-	-	50	65	50	65
• Investments accounted for under the equity method **	-	-	25,655	3,979	25,655	3,979
<u>Total</u>	14,230	5,775	25,705	4,044	39,935	9,819
<u>Total movement during the year *</u>	14,688	594,320	25,705	179,503	40,393	773,823
Balance at the end of the financial year *	609,008	594,320	205,208	179,503	814,216	773,823

* The 2007 comparative represents a period under a year spanning 27 April to 30 June 2007.

** The movement in the Asset Revaluation Reserve is as a result of the Department's investments accounted for under the equity method and relates to its share of the incremental increase in the carrying value of Property, plant and equipment of the respective joint ventures.

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

22 INCREASE / DECREASE IN NET ASSETS FROM EQUITY TRANSFERS

	2008 \$'000	For the period 27 April to 30 June 2007 \$'000
Assets transferred in from the Department of Energy, Utilities and Sustainability *		
Cash	-	33,036
Financial Assets	-	3,932
Receivables	-	15,960
Property, Plant and equipment (note 13)	-	981
Assets transferred in from the Department of Natural Resources *		
Cash	-	5,415
Receivables	-	49,525
Property, Plant and equipment (note 13)	-	47,499
Intangible assets (note 14)	-	6,367
Investments accounted for under the equity method	-	646,308
Assets transferred in from The Cabinet Office *		
Cash	-	574
Receivables	-	322
Assets transferred (to) / from the Department of Commerce		
Property, Plant and equipment	6,494	-
Intangible assets	200	-
Property, Plant and equipment	(68)	-
Assets transferred (to) / from the Department of Environment and Climate Change		
Receivables	540	-
Property, Plant and equipment	809	-
Property, Plant and equipment	(97)	-
Assets transferred to the Department of Lands		
Property, Plant and equipment	(1,058)	-
Assets transferred to State Water Corporation		
Property, Plant and equipment	(5,565)	-
Net Assets Transferred	<u>1,255</u>	<u>809,919</u>
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)
Liabilities transferred to / (from) the Department of Commerce		
Payables	1,600	-
Employee Entitlements	(2,397)	-
Net Liabilities Transferred	<u>(797)</u>	<u>(45,915)</u>
Total Increase / (Decrease) in Net Assets	<u>458</u>	<u>764,004</u>

* These government agencies were abolished in April 2007 as a result of the Public Sector Employment and Management (General) Order 2007 under the Public Sector Employment and Management Act 2002.

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

23 COMMITMENTS FOR EXPENDITURE

2008 **2007**
\$'000 **\$'000**

(a) Capital Commitments

Aggregate capital expenditure contracted for at balance date and not provided for:

Not later than one year	269	-
Total (including GST)	269	-

(b) Other Expenditure Commitments

Aggregate other expenditure contracted for at balance date and not provided for:

Not later than one year	59,438	45,407
Later than one year and not later than five years	90,439	5,500
Total (including GST)	149,877	50,907

(c) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable

Not later than one year	5,652	5,140
Later than one year and not later than five years	11,476	13,236
Later than five years	749	-
Total (including GST)	17,877	18,376

Commitments above include input tax credits of \$15,256,552 (2007: \$6,298,446) that are expected to be recovered from the Australian Taxation Office.

24 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Claims on the Treasury Managed Fund

The Department is a member of the NSW Treasury Managed Fund (TMF) self indemnification scheme. The Fund will pay to, or on behalf of, the Department all sums which it shall become legally liable to pay by way of compensation or legal liability if sued, except for any exposures involving illegal operations, wear, tear or inherent vice and pollution (other than sudden or accidental pollution). The cost relating to such exceptions are to be absorbed by the Department.

The Department currently has two legal matters underway that are not covered by the TMF, the potential loss from which is difficult to estimate, but likely to be immaterial.

The Department does not have any contingent assets.

25 BUDGET REVIEW

Net cost of services

The actual net cost of services was higher than budget by \$4.4 million. This is due to the net impact of the following factors:

- under expenditure of \$69.7 million (primarily specific grant items including deferral of \$20 million Government contribution towards the proposed Goulburn Pipeline project, \$9.4 million in respect of demand driven energy concession programs and \$30.5 million in respect of the revised Achieving Sustainable Groundwater Entitlements Program budget).

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

25 BUDGET REVIEW (cont'd)

Net Cost of services (Cont'd)

- approved Treasury supplementation of \$51.9 million not included in the budget as per TPP 08-4 "Financial Reporting Code for Budget Dependent General Government Sector Agencies".
- unbudgeted expense of \$22.1 million in respect of the NSW Joint Venture share in the Murray-Darling Basin Commission and the Dumaresq-Barwon Border Rivers Commission.

Assets and liabilities

The value of total current assets is reported as \$131.0 million in the Balance Sheet against a budget of \$112.2 million. The variation of \$18.8 million is primarily due to the higher than budgeted balance in cash including \$8.0 million due, but not paid, to the Department of Commerce and \$10.6 million in lapsed appropriations as at 30 June 2008 to be repaid to NSW Treasury during 2008-09.

The total value of non-current assets is recorded as \$744.6 million against a budget of \$747.2 million. The variation of \$2.6 million is mainly due to the impairment of investment loans in renewable energy technology (refer Note 12).

The value of total current liabilities is reported as \$59.1 million in the Balance Sheet against a budget of \$46.1 million. The variation of \$13.0 million is primarily due to an unbudgeted liability of \$8.0 million in respect of the Department of Commerce and \$5.0 higher than budgeted accounts payable and accrued expenses as at 30 June 2008.

Cash flows

The Net Cash Flows from Operating Activities is reported as \$52.8 million in the Cash Flow Statement against a budget of \$7.5 million. The variation of \$45.3 million is primarily due to funding of \$28 million for the NSW contribution towards the Murray-Darling Basin Commission and the Dumaresq-Barwon Border Rivers Commission being reflected in Operating Activities but the payment in Investing Activities. The balance relates to higher than budgeted inflows of cash including \$8.0 million due, but not paid, to the Department of Commerce and \$10.6 million in lapsed appropriations as at 30 June 2008 to be repaid to NSW Treasury during 2008-09.

The Net Cash Flows from Investing Activities is reported as \$34.6 million in the Cash Flow Statement against a budget of \$8.2 million. The variation of \$26.4 million is primarily due to the payment of \$28 million for the NSW contribution towards the Murray-Darling Basin Commission and the Dumaresq-Barwon Border Rivers Commission being reflected in Investing Activities but the funding in Operating Activities.

26 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

	For the period 27 April to 30 2008 June 2007	
	\$'000	\$'000
Net cash used on operating activities	52,754	20,702
Cash flows from Government / Appropriations	(433,035)	(76,489)
Acceptance by the Crown Entity of employee benefits and other liabilities	(6,782)	(1,741)
Depreciation and amortisation	(2,136)	(230)
Impairment of assets	(3,821)	-
(Increase) in provisions	(97)	(24,354)
Increase in prepayments and other assets	-	3,768
Increase in receivables	1,893	57,517
Joint Venture operating result	(22,142)	-
(Increase) in payables	(15,283)	(23,644)
Decrease in other liabilities	9,749	-
Other - adjustment for equity opening balance	-	(26,145)
Interest on restoration provision	(65)	-
Net loss on sale of plant and equipment	(9)	(34)
Net cost of services	(418,974)	(70,650)

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

27 FINANCIAL INSTRUMENTS

The Department's principal financial instruments are outlined below. These financial instruments arise directly from the Department's operations or are required to finance the Department's operations. The Department does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Department's main risks arising from financial instruments are outlined below, together with the Department's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

The Director-General has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Department, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Audit and Risk Committee and Internal auditors on a continuous basis.

(a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount 2008 \$'000	Carrying Amount 2007 \$'000
Class:				
Cash and cash equivalents	9	N/A	72,750	54,767
Receivables ¹	10	Loans and receivables (at amortised cost)	55,208	53,386
Financial assets at fair value	11	Available-for-sale financial assets (at fair value)	140	90
Other financial assets	12	Loans and receivables (at amortised cost)	1,705	3,678
			129,803	111,921
Financial Liabilities	Note	Category	Carrying Amount 2008 \$'000	Carrying Amount 2007 \$'000
Class:				
Payables ²	17	Financial liabilities measured at amortised cost	32,340	23,204
Borrowings	18	Financial liabilities measured at amortised cost	1,536	1,684
			33,876	24,888

Notes:

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

(b) Credit Risk

Credit risk arises when there is the possibility that a counterparty will default on its contractual obligations, resulting in a financial loss to the Department. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Department, including cash, receivables, loans and share investments. No collateral is held by the Department. The Department has not granted any financial guarantees.

Cash

Cash comprises cash on hand and bank balances within the NSW 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 NSW Treasury. Credit risk on bank balances is considered low because the counterparties have high credit ratings assigned by international credit rating agencies.

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

27 FINANCIAL INSTRUMENTS (cont'd)

(b) Credit Risk (Cont'd)

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible 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. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. Interest is earned at 7% p.a. on some outstanding water fee trade debtors.

The Department is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

The only financial assets that are past due or impaired are 'sales of goods and services' in the 'receivables' category of the balance sheet.

	Total 1, 2	\$'000 Past due but not impaired	Considered impaired
2008			
< 3 months overdue	4,011	4,011	-
3 months – 6 months overdue	427	409	18
> 6 months overdue	1,930	817	1,113
2007			
< 3 months overdue	6,102	6,102	-
3 months – 6 months overdue	2,528	2,230	298
> 6 months overdue	19,545	19,466	79

Notes:

1. Each column in the table reports 'gross receivables'.
2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the balance sheet.

Financial assets at fair value

Financial assets at fair value comprise an investment of equity in the issued capital of an Australian Stock Exchange listed company. Credit risk on this investment is considered low as the Department has no information to the contrary.

Other financial assets

Other financial assets comprise:

- Backlog sewerage loans with counterparties being Sydney Water Corporation and various local councils. The credit risk on these loans advanced is considered low as these counterparties are government entities with adequate credit ratings.
- Loans and deposits advanced to companies in the renewable energy business. The Department has impaired a number of these loan balances, due to terms in the contract, rather than any assessment of credit worthiness of the counterparties. The credit risk on the carrying amount of these loans is considered low as the Department has no information to the contrary.

(c) Liquidity risk

Liquidity risk is the risk that the Department will be unable to meet its payment obligations when they fall due. The Department's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under normal and stressed conditions, without incurring unacceptable losses or risk damage to the Department's reputation.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Department's exposure to liquidity risk is deemed insignificant based on prior period data and current assessment of risk.

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

27 FINANCIAL INSTRUMENTS (cont'd)

(c) Liquidity risk (Cont'd)

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 (2007: \$Nil).

The table below summarises the maturity profile of the Department's financial liabilities, together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate % p.a.	Nominal Amount	\$'000 Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate	Variable Interest Rate	Non interest bearing	< 1 yr	1-5 yrs	> 5 yrs
2008								
Payables	-	32,340	-	-	32,340	32,340	-	-
Borrowings	10.05	1,536	1,536	-	-	170	917	449
		33,876	1,536	-	32,340	32,510	917	449
2007								
Payables	-	23,204	-	-	23,204	23,204	-	-
Borrowings	10.05	1,684	1,684	-	-	129	865	690
		24,888	1,684	-	23,204	23,333	865	690

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Department's exposures to market risk are primarily through interest rate risk on the Department's bank deposits and its "Other loans and deposits" assets. The Department also has exposure to market risk on its Financial assets at fair value in the form of fluctuations in the asset's share price, though this is not considered material. The Department's borrowing obligations carry no market risk as they are at a fixed rate of interest. The Department has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Department operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance sheet date. The analysis is performed on the same basis for 2007. The analysis assumes that all other variables remain constant.

Interest rate risk

The Department does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Department's exposure to interest rate risk is set out below.

Department of Water and Energy
Notes to the financial statements
for the year ended 30 June 2008

27 FINANCIAL INSTRUMENTS (cont'd)

(d) Market Risk (Cont'd)

	Carrying Amount	\$'000			
		-1%		+1%	
		Profit	Equity	Profit	Equity
2008					
<i>Financial assets</i>					
Cash and cash equivalents	72,750	(728)	(728)	728	728
Receivables	55,208	-	-	-	-
Financial assets at fair value	140	-	-	-	-
Other financial assets*	1,705	(2)	(2)	2	2
<i>Financial liabilities</i>					
Payables	(32,340)	-	-	-	-
Borrowings	(1,536)	-	-	-	-
	95,927	(730)	(730)	730	730
2007					
<i>Financial assets</i>					
Cash and cash equivalents	54,767	(548)	(548)	548	548
Receivables	53,386	-	-	-	-
Financial assets at fair value	90	-	-	-	-
Other financial assets*	3,678	(20)	(20)	20	20
<i>Financial liabilities</i>					
Payables	(23,204)	-	-	-	-
Borrowings	(1,684)	-	-	-	-
	87,033	(568)	(568)	568	568

* Calculated on the net carrying amount of the Department's "Other loans and deposit" assets.

(e) Fair Value

Financial instruments are recognised at fair value or amortised cost depending on the nature of the financial instrument.

The amortised cost of financial instruments recognised in the balance sheet approximates fair value.

28 AFTER BALANCE DATE EVENTS

On 3 July 2008, an agreement on Murray Darling Basin Reform was signed by the Basin States and the Commonwealth of Australia. One impact from this agreement is that the Murray-Darling Basin Commission will be dissolved and the decision making powers will transition to a new structure, which involves the establishment of the Murray-Darling Basin Authority.

As several details pertaining to the transition have not been finalised at the date of this report, we are unable to provide an estimate of any financial impact to this Department. It is possible that the form of the joint venture may change from "jointly controlled entity" to "jointly controlled assets" and as a result, changing the manner in which the Department's interest in the joint venture is recorded in the financial statements.

There are no other known events subsequent to balance date that would impact on the state of affairs of the Department or have a material effect on these financial statements.

End of audited financial statements

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Part 4

Appendices

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Appendix 1 Senior executive service officers

Table A1.1 Total numbers of SES offices

SES Level	At 30 June 2007		At 30 June 2008	
	Male	Female	Male	Female
8				
7	1		1	
6	2		1	
5				
4	1	1		2
3	1			
2	1			
1				
Totals	6	1	2	2

As DWE was established on 27 April 2007, figures are only available for two years.

SES Officers Grade 5 and above (at 30 June 2008)

Remuneration and Performance

Name: Mr Mark Duffy

Position and Level: Director-General, SES Level 7

Period in position: 1 July 2007 – 30 June 2008

Total Remuneration Package: \$315,000 plus \$41,200 recruitment allowance

Main functions of the position

Mark Duffy has been responsible for the strategic leadership of the Department of Water and Energy since its establishment in April 2007.

Major achievements 2007–08

- Provided strong leadership and clear direction for DWE and timely and strategic advice to Ministers
- Oversaw the establishment and restructuring of DWE, including seven divisions along functional lines and the negotiation of appropriate budgets following government changes
- Maintained and improved effective stakeholder partnerships by leading active engagement with key interest groups
- Established sound corporate governance processes such as the establishment of an Executive Committee and other review mechanisms, undertaking strategic risk assessments, publication of a Corporate Plan 2007-2010 and aligning the results and services plan and budget papers
- Initiated a DWE-wide communication process to inform all staff of strategic directions, corporate priorities and values.

Name:	Mr David Harriss
Position and Level:	Deputy Director-General, Water Management, SES Level 6
Period in position:	1 July 2007 – 30 June 2008
Total Remuneration Package:	\$284,950

Major functions of the position

David Harriss was responsible for the establishment and operation of the Water Management Division, the development and implementation of NSW water management programs and meeting NSW commitments under the National Water Initiative and interstate water sharing agreements. David was also responsible for developing collaborative arrangements with Commonwealth and State agencies for the new management arrangements for the Murray-Darling Basin and stakeholder groups, making significant progress in the development of water management and trading arrangements between states, user groups and the environment.

Major achievements 2007–08

- Successfully negotiated with the National Water Commission for the final payment of \$26 million to NSW for achievement of water reforms under the National Competition payments
- Involved in the negotiation on the new Intergovernmental Agreement on Murray-Darling Basin reforms which was signed by the Council of Australian Governments (COAG) on 1 July 2008
- Successfully negotiated the revised Murray-Darling Basin Agreement, consistent with the Murray-Darling Basin Reform intergovernmental agreement
- Represented NSW interests through the Murray-Darling Basin Commission and the COAG Water Sub-Committee and ensured significant progress on national reforms in compatible registers, water trading and water planning
- Represented NSW on the Senior Officers Group on contingency water planning for the Murray River and negotiated new inter-state sharing arrangements
- Worked closely with stakeholder groups on critical water planning in the southern Murray-Darling Basin to ensure provision of water to meet critical human needs and the immediate needs of high employment industries and the survival of permanent plantings.

Appendix 2 Publications

The Department's corporate website www.dwe.nsw.gov.au was established and is regularly updated. The publications listed below are available on this site or can be obtained in hard copy on request.

All of DWE's policy documents are published in the Government Gazette every six months in the Summary of Affairs as required under section 14(3) of the *Freedom of Information Act 1989*. The Department's June 2008 Summary of Affairs is available on the website.

Table A2.1 Publications

Publication	Date
Corporate	
Department of Water and Energy Annual Report 2006-07	Nov 2007
NSW Department of Water and Energy Corporate Plan 2007-2010	Nov 2007
Working for the NSW Department of Water and Energy – Applicant information	May 2008
Water Management	
Regular Critical Water Planning Announcements for the Lachlan Valley, Macquarie Valley, Peel and Namoi Valleys, Murrumbidgee Valley, Murray Valley, Hunter Valley and the Lower Darling	2007-2008
Future climate and runoff projections (~2030) for New South Wales and Australian Capital Territory	Jun 2008
Water for my rural property – do I require a licence?	Nov 2007
What are rural landholders' basic rights to water?	Nov 2007
Farm dams information sheets - Where can they be built without a licence? - Have you considered everything? - What size are your existing dams? - What size dam can you build without a licence? - Farm dams in the Western Division of NSW	May 2008
How much water do I need for my rural property	Nov 2007
Applying for a water licence under the <i>Water Act 1912</i>	Nov 2007
Water Trading under the <i>Water Act 1912</i>	Nov 2007
Application fees for water licences and water transfers under the <i>Water Act 1912</i>	Nov 2007
Accessing bore water or groundwater	Nov 2007
Stock and domestic water under critical water planning 2007	Jul 2007
Water management charges for licensed water users under the <i>Water Management Act 2000</i>	Feb 2008
Water management charges for irrigators on unregulated rivers	Aug 2007
Transaction fees for access licences and approvals under the <i>Water Management Act 2000</i>	Jul 2008
Guide to water access licences and certificates under the <i>Water Management Act 2000</i>	May 2008
Works and use approvals under the <i>Water Management Act 2000</i>	Mar 2008
Conversion of water licences to water access licences and approvals under the <i>Water Management Act 2000</i>	Mar 2008
Lower Namoi Groundwater	Mar 2008
Guidelines for controlled activities under the <i>Water Management Act 2000</i> - In-stream works - Laying pipes and cables in watercourses - Outlet structures - Riparian corridors - Vegetation Management Plans - Watercourse crossings	Feb 2008

Publication	Date
Guidelines for surface water sharing plan report cards	Sep 2007
NSW Great Artesian Basin groundwater sources – Draft Water Sharing Plan and Guide	Oct 2007
NSW Border Rivers regulated river water source – Draft Water Sharing Plan, Guide and background document	Aug 2007
Lower North Coast unregulated and alluvial water sources – Draft Water Sharing Plan, Guide, background document and report cards	Oct 2007
Bellinger River Area unregulated and alluvial water sources – Draft Water Sharing Plan, Guide, background document and report cards	Sep 2007
Hunter unregulated and alluvial water sources – Draft Water Sharing Plan, Guide, background document and report cards	Mar 2008
Key amendments to the water sharing plan for the Lower Lachlan Groundwater Source	Aug 2007
Lower Lachlan Groundwater Source – Information for groundwater licence holders on the commencement of the water sharing plan	May 2008
Proposed amendments to the Coopers Creek water sharing plan	May 2008
Shoalhaven Illawarra riparian cover mapping studies – discussion paper and supporting documents	May 2008
In-stream Salinity Models of NSW Tributaries in the Murray-Darling Basin, Salinity Integrated Quantity and Quality Model	
■ Volume 1 - Border Rivers	
■ Volume 2 - Gwydir River	
■ Volume 3 - Namoi River	
■ Volume 4 - Macquarie River	
■ Volume 5 - Lachlan River	
■ Volume 6 - Murrumbidgee River	
■ Volume 7 - Barwon-Darling River	Apr 2008
Integrated Monitoring of Environmental Flows. Wetting terrestrial organic matter. IMEF Phase 1: 1998-2005	Apr 2008
Draft Tumut River Management Plan – Review of environmental factors	Apr 2008
Snowy River Recovery. Snowy River Flow Response Monitoring. Water Quality in the Snowy River before and after the first environmental flow regime	Apr 2008
Snowy River Recovery. Response of aquatic macroinvertebrates to the first environmental flow regime in the Snowy River	Nov 2007
Snowy River Recovery. Snowy River Flow Response Monitoring. Changes in fish assemblages after the first flow releases to the Snowy River downstream of Jindabyne Dam	Apr 2008
NSW Water Extraction Monitoring Policy (revised edition)	Aug 2007
Review of the Snowy Hydro Limited water licence – Information for public submission	Dec 2007
Gwydir Environmental Contingency Allowance Annual Release Program 2007-2008. Release Plan and Implementation Manual	Oct 2007
Gwydir Environmental Contingency Allowance Implementation Program 2007-2008	Oct 2007
Lower Murray-Darling Catchment health report card – Algal bloom alerts 2006-2007	May 2008
Websites	
Water Management Registers, Licence and Trading Statistics www.wma.dnr.nsw.gov.au/wma/index.jsp	
NSW Water Information www.waterinfo.nsw.gov.au	Feb 2008
Urban Water	
Inquiry into secure and sustainable urban water supply and sewerage services for non-metropolitan NSW – Discussion paper	Jan 2008
NSW guidelines for greywater reuse in seweraged, single household residential premises	May 2008
Greywater fact sheets	
■ Greywater diversion devices – Do's and don'ts	
■ Choosing the right greywater system for your needs	
■ Irrigating with greywater	
■ Keeping your plants and soil healthy with greywater	
■ Maintenance of greywater diversion devices and treatment systems	May 2007
How can greywater be used?	Aug 2007

Publication	Date
Interim NSW Guidelines for Management of Private Recycled Water Schemes	Oct 2007
Water Industry Competition (General) Regulation 2008 – Regulatory Impact Statement	Apr 2008
NSW Performance Monitoring Report – Water Supply and Sewerage. 2005/06	Mar 2008
Plumbing and Drainage Circulars (on behalf of the Committee on Uniformity of Plumbing and Drainage Regulations in NSW)	
■ 1/2007 Changed requirements for water meter installation	
■ 2/2007 Changed requirements for backflow prevention for rainwater tank installations	
■ 3/2007 Maintenance of roof water collection and use systems	
■ 4/2007 Changed soffit requirements	
■ 5/2007 Installation of greywater diversion devices and greywater treatment systems	
■ 6/2007 Installation of assisted bathing systems – backflow prevention	2007-2008
■ 1/2008 Requirements for the installation of eaves gutters	
■ 2/2008 Changed requirements for rainwater use	
■ 3/2008 Connection methods – General	
■ 4/2008 Changed requirements for sewer surcharges	
■ 5/2008 Changed requirements for vent termination	
■ 6/2008 Changed requirements for the use of PE pipes as part of a property service	
NSW Government Water for Life	
Water for Life fact sheets	
■ Water For Life Education Program	
■ Greenhome Water and 18-35 Yr-olds Project	
■ Ethnic Communities 'Home Water Action'	Sep 2007
■ Water Efficiency for the Property Sector	
■ Resources and Professional Development for Teachers	
Water for Life Action Plan for all Metropolitan Water Education 2007-2011. Draft for discussion	Sep 2007
Metropolitan water plan – 2007 progress report	Oct 2007
Website - www.waterforlife.nsw.gov.au	
Energy supply and use	
Energy Accounts Payment Assistance Scheme. Q&A Information Sheet	Sep 2007
Community Welfare Organisations Participating in the Energy Accounts Payment Assistance Scheme	Sep 2007
Service and Installation Rules of New South Wales (on behalf of Service and Installation Rules of New South Wales Committee)	Jan 2008
Code of Practice (Electricity) – Service and Installation Rules of New South Wales. (on behalf of Service and Installation Rules of New South Wales Committee)	Jan 2008
ISSC 33 Guideline for network configuration during bushfire risk days (on behalf of Electricity Industry Safety Steering Committee)	Feb 2008
Electricity Supply (Corrosion Protection) Regulation 2008 – Regulatory Impact Statement	Jun 2008
Gas Supply (Safety and Network Management) Regulation 2008 – Regulatory Impact Statement	Jun 2008
Electricity Supply (Safety and Network Management) Regulation 2008 – Regulatory Impact Statement	Jun 2008
Market Operations Rules (NSW Gas Supply Continuity Scheme) 2008	Jun 2008
Amendments to the Market Operations Rules (NSW Gas Supply Continuity Scheme) 2008	Jun 2008
Transitional arrangements for the NSW Greenhouse Gas Reduction Scheme – Consultation Paper	Apr 2008
GreenPower	
Switching to renewable energy? Get the facts	Mar 2008
National GreenPower Accreditation Program Quarterly Status Reports	2007-2008
National GreenPower Accreditation Program Annual Audit. Audit Period 1 January 2006 to 31 December 2006. Compliance Audit.	Oct 2007
Other	
Departmental staff published a number of reports and papers in professional journals and presented papers at relevant conferences.	

Appendix 3 Overseas visits

Table A3.1 Overseas visits

Name	Title	Country visited	Purpose	Funded from
Lorraine Hardwick	Riverine Ecologist	New Zealand	To present a paper (The future of the DWE Environmental Flow Monitoring Program) at the joint congress of the Australian Society for Limnology/New Zealand Freshwater Sciences Society (ASL/NZFSS)	DWE and self
Simon Williams	Senior Scientist	New Zealand	To give an oral presentation (Integrated hydro-ecological assessment of environmental flow options, Shoalhaven River below Tallowa Dam) at the joint congress of ASL/NZFSS	DWE
Ivor Grown	Senior Research Scientist (Aquatic Ecologist)	New Zealand	To present a paper (Fish Larvae in Regulated and Unregulated Rivers in the Northern Murray-Darling Basin) at the joint congress of ASL/NZFSS	DWE
Andrew Brooks	Aquatic Ecologist	New Zealand	To give an oral presentation (Relationships between aquatic macroinvertebrates and small-scale hydraulic conditions and environmental flows in the Kangaroo River) at the joint congress of ASL/NZFSS	DWE
Shahadat Chowdhury	Senior Hydrologist	New Zealand	To present a scientific paper at the International Congress on Modelling and Simulation 2007 (MODSIM07)	University of New South Wales
David Outhet	Principal Geomorphologist	Italy	To present an abstract of a paper (A River Restoration Strategy for Sydney) at the 4th European Centre for River Restoration (ECRR) International Conference on River Restoration	DWE
Ben Taylor	Manager Education	Spain	To speak (invited) to Water Tribune at Expo Zaragoza	Conference organisers
Louise Whiting	Policy Officer	USA Spain Netherlands	To gather information on the suitability of new clean coal technologies for the NSW energy sector including attendance at the Gasification Technologies conference in San Francisco.	The Australian Greenhouse Office and DWE

Appendix 4 Significant committees

The following information is provided as at 30 June 2008 unless otherwise noted.

(1) DWE representation on external committees, boards and statutory bodies

Senior staff represent DWE 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 executive arm of the Murray-Darling Basin Ministerial Council and, where directed, implements measures and gives effect to any policy or decision of Council. The MDBC has responsibility for implementing, coordinating and managing a number of significant programs, including The Living Murray.	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
Senior Officers Group on Water	Coordinates and advises on specific water management initiatives of the Cluster Group	D Harriss R O'Neill
National Water Initiative Senior Officers Group	Interstate coordination of national water agenda	D Harriss
COAG Water Sub-Committee	Provide advice on priority issues for national water reform. DWE also provides representatives for some 12 project groups reporting to the Water Sub-Committee on areas such as national definitions, water trading, skills etc.	D Harriss
Senior Officials Group on contingency planning in the Murray valley	This group of senior officials from NSW, Victoria, South Australia and the Commonwealth was established to address concerns about the ability to meet critical urban water needs along the Murray River.	D Harriss
Great Artesian Basin Coordinating Committee	Interstate management and policy development for the GAB	G Gates
CLLMM High Level Steering Committee	Advise on the management of the Coorong Lower Lakes Murray Mouth (South Australia).	D Harriss
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 L Baumgartner
Climate Change CEO's Group	To support DECC in implementing plans to improve Climate	M Duffy
Dumaresq-Barwon Border Rivers Commission	To advise on interstate water sharing arrangements	P Christmas (Deputy Commissioner)
Drought Water (Interdepartmental) Committee	To monitor and advise the Premier on all aspects of the status and impacts of the drought	S Palmer
Water Efficiency Labelling and Standards Advisory Committee	Oversee the implementation of the WELS Scheme and advise the national regulator	C Grigg
Drought Executive Committee	Provides integrated advice to the Minister for Water regarding drought management in the Sydney region (includes SWC - chair, SCA, DWE, Health)	K Brady

Name of Committee/ Board/Body	Function	DWE representatives
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
Energy Market Reform Working Group	To support the Ministerial Council on Energy Standing Committee of Officials with advice, information and coordination of the Council's energy market reform work program.	J Wills
Market Operator Working Group	To develop an implementation plan to establish the Australian Energy Market Operator.	S Wu
Retail Policy Working Group of the Ministerial Council on Energy	To develop advice for the Ministerial Council on a proposed new national framework for consumer protection	J Wellsmore
Network Policy Working Group of the Ministerial Council on Energy	To develop advice for the Ministerial Council on policy concerning the physical connection to the energy network by customers and other users	A Amey A Mooney
Joint Working Group on Long Term Gas Supply	To review and report to the Ministerial Council on Energy on long term gas supply security in the context of increasing international and domestic demand for natural gas .	S Wu
Gas Market Company	To develop and operate effective cost efficient and effective retail market arrangements for the NSW gas market.	S Wu (attending as the Government observer)
National Emissions Trading Taskforce	Develop a possible design for a national emissions trading scheme for greenhouse gases.	D Hemming
Emission Reduction Senior Officers Group	Develop policies and programs to implement the initiatives identified in the NSW Greenhouse Plan, assist in the review of measures for complementarity with a Carbon Pollution Reduction Scheme (CPRS).	D Hemming
Energy Efficiency Working Group	Advise MCE SCO on nationally coordinated energy efficiency programs and measures.	D Hemming
Energy Efficiency Data Project Working Group	To improve the evidence base for the development and evaluation of energy efficiency programs	T Prasad
COAG Working Group on Climate Change and Water (WGCCW)	Represent NSW in the development of national climate change mitigation and adaptation policy advice for COAG	L Baumgartner D Harriss
COAG Climate Change and Water Sub Groups (5)	Provide advice on energy efficiency, renewables, complementary measures, adaptation and water issues to the WGCCW.	P Leihn T Aldrich A Burnard D Hemming D Anderton
National GreenPower Steering Group	Oversee the strategic direction of the National GreenPower Program	P Leihn (Chair)
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 DWE

These bodies ensure the policy development and operations of DWE include community and stakeholder input.

Table A4.2 Representation on advisory committees

Name of Committee	Function	DWE Member/s
Critical Water Advisory Groups	Water users and council representatives discuss with DWE and advise on priorities for water supply during drought in the Murray and Murrumbidgee Valleys.	D Harriss
Department of Water and 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) M Grant (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) E Dawe
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.	P Grant (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.	M Sahore (Chair)
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 DWE to progress the Greenhouse Gas Abatement Scheme Review.	T Prasad K Staggs
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”	K Brady (Chair) C Grigg
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
Minister for Energy’s Reference Group on Consumer Protection in the Energy Market	To provide advice to the Minister for Energy and the Government on a range of issues relating to consumer protection in the energy market.	L Baumgartner (Chair) C Webber (Secretariat)
NEET Steering Committee	To provide advice to Government on the implementation of the NSW Energy Efficiency Trading (NEET) Scheme	L Baumgartner (co-chair) D Hemming

(3) Internal DWE Committees

The following committees support strategic governance processes in DWE

Table A4.3 Membership of internal Departmental committees

Name of Committee	Function	Member/s
Executive Committee	The Department's strategic advisory and decision-making forum	Director-General (Chair), division heads
Audit and Risk Committee	Advice, reports and recommendations to Executive Committee	Nominated Executive member and specialists (including external representation)
Budget and Finance Committee	Advice, reports and recommendations to Executive Committee	Nominated Executive member and specialists
People and Performance Committee	Advice, reports and recommendations to Executive Committee	Nominated Executive member and specialists

(4) Significant committees abolished or transferred to other departments in 2007–08

Ministerial Advisory Council on Water

Large User Abatement Certificates Working Group

Greenhouse Gas Abatement Scheme Review Consultation Panel

Cross Agency Group on Water Industry Structure

Appendix 5 Legislation and significant judicial decisions

Part A: Changes to Acts

Water Management Act 2000

There were two minor amendments to this Act:

- 8.28 of Schedule 8 to this Act was repealed by the *Sydney Water Catchment Management Amendment Act 2007* on 7 December 2007, which was a provision that had already commenced.
- 8.1–8.14, 8.16–8.26, 8.27 [1]–[4] and [6], 8.28 and 8.29 of Schedule 8 to this Act was repealed by the Statute Law (Miscellaneous Provisions) Act 2008 on 1 July 2007. This repealed parts of Schedule 8 which were already commenced or which could not be commenced because of amendment or repeal to an associated Act or instrument.

Rivers and Foreshores Improvement Act 1948

This Act was repealed on 4 February 2008 by commencement proclamation made under section 2 of the *Water Management Act 2000* which commenced that part of Schedule 7 (Repeals) to the *Water Management Act 2000* in its application to the *Rivers and Foreshores Improvement Act 1948*. A further proclamation made under section 88A of the *Water Management Act 2000* applied Part 3 of Chapter 3 of that Act in relation to controlled activity approvals to the whole of the State of New South Wales.

Murray-Darling Basin Act 1992

This Act was amended on 23 November 2007 to approve an amendment to the Murray-Darling Basin Agreement to facilitate the operation of the Murray-Darling Basin Commission's water business on appropriate commercial principles and for other purposes.

Electricity Supply Act 1995 and the Criminal Procedure Act 1989

The *Electricity Supply Amendment (Offences) Bill 2007* was assented to and commenced on 19 March 2008. The Bill introduced amendments to the *Electricity Supply Act 1995* and the *Criminal Procedure Act 1989* with respect to the theft of electricity, unlawful entering, climbing or being on electricity works and other purposes.

Gas Supply Act 1996 - NSW Gas Supply Continuity Scheme

In June 2008, the Minister for Energy approved the Market Operations Rules (NSW Gas Supply Continuity Scheme) 2008. These Rules are made under section 33K(A)(D1) of the *Gas Supply Act 1996*, which provides for the Minister to approve rules for or with respect to the establishment and operation of a wholesale natural gas market scheme to ensure the continuity of supply of Gas to consumers.

The purpose of the Scheme is to ensure that the gas demand and supply imbalances that normally occur within the NSW natural gas system do not become large enough to threaten the operation of the system. The Rules apply to the owners and operators of natural gas transmission pipelines and shippers of natural gas on those pipelines as well as natural gas distributors and retailers.

Part B: Changes to Regulations

Water Management (General) Regulation 2004

This Regulation was amended by the following regulations:

Water Management (General) Amendment (Murrumbidgee Supplementary Water Access Licence) Regulation 2007 (published in the Gazette on 27 July 2007 and commenced on that date) to confer a supplementary water access licence on the holder of a particular entitlement in the Murrumbidgee Regulated River Water Source.

Water Management (General) Amendment (Paterson) Regulation 2007 (published in the Gazette on 29 June 2007 and commenced on 1 July 2007) which modified the provisions of Schedule 10 to the *Water Management Act 2000* (Conversion of former entitlements to access licences and approvals) in relation to access licences that arise under that Schedule as a consequence of a proclamation under section 55A of that Act, extending the operation of Part 2 of Chapter 3 of that Act to the Paterson Regulated River Water Source.

Water Management Amendment (Controlled Activities) Regulation 2008 (published in the Gazette on 25 January 2008 and commenced on 4 February 2008) to ensure that the exemptions from the requirement for a permit under Part 3A of the *Rivers and Foreshores Improvement Act 1948* are carried over as exemptions from the requirement for a controlled activity approval under Part 3 of Chapter 3 of the *Water Management Act 2000* and to extend existing provisions with respect to the provision of security so that they cover all obligations under an approval, not merely obligations with respect to the reinstatement of land.

Water Management (General) Amendment (Lower Lachlan) Regulation 2008 (published in the Gazette on 31 January 2008 and commenced on 1 February 2008) to modify the provisions of Schedule 10 to the *Water Management Act 2000* (Conversion of former entitlements to access licences and approvals) in relation to access licences that arise under that Schedule as a consequence of a proclamation under section 55A of that Act, extending the operation of Part 2 of Chapter 3 of that Act to the Lower Lachlan Groundwater Source. It also made two corrections of incorrect figures contained in Schedule 4A relating to replacement access licences in the Lower Gwydir Groundwater Source and other amendments in the nature of law revision.

Water Management (General) Amendment Regulation 2008 (published in the Gazette on 27 June 2008 and commenced on that date) to make it clear that water allocations may be carried over from year to year in accordance with any relevant water management plan.

Water Management (General) Amendment (Water Sharing Plans) Regulation 2008 (published in the Gazette on 27 June 2008 and commenced on that date) to make provision as a consequence of the extension of Parts 2 and 3 of Chapter 3 of the *Water Management Act 2000* to the Bellinger River Area Unregulated and Alluvial Water Sources and the NSW Great Artesian Basin Groundwater Sources, to enable available water determinations to be published on the Department of Water and Energy's internet website rather than in a local newspaper, to extend the time within which security interests for certain access licences must be notified to the Department, and to make provision with respect to other matters of a minor, consequential or ancillary nature.

Water Sharing Plans

The following Water Sharing Plans were commenced this year:

- *Water Sharing Plan for the Paterson Regulated River Water Source 2007* commenced on 1 July 2007
- *Water Sharing Plan for the Lower Lachlan Groundwater Source 2003* commenced on 1 February 2008.

The Water Sharing Plan for the NSW Great Artesian Basin Groundwater Sources 2008 and the *Water Sharing Plan for the Bellinger River Area Unregulated and Alluvial Water Sources 2008* were each gazetted on 23 June 2008 and each commenced on 1 July 2008.

In addition, the *Water Sharing Plan for the Upper Namoi and Lower Namoi Regulated River Water Sources 2003* was also amended on 16 February 2007 to delete subclause 45 (2) (d), to remove the restriction on Liverpool Plains Shire Council making a water allocation assignment from the Quirindi local water utility access licence.

These plans contain rules for protecting the environment, extractions, managing licence holder's water accounts and water trading.

Significant Judicial Decisions

Civil proceedings

Table A5.1 Civil proceedings

Parties	Description of proceedings	Result/ Penalty	Court	Citation	Comment
<i>Tubbo Pty Ltd & Ors v Minister Administering the Water Management Act 2000; Harvey & Anor v Minister Administering the Water Management Act 2000.</i>	Various persons and entities (the applicants) challenged the validity of the amendment order for the <i>Water Sharing Plan for the Lower Murrumbidgee Groundwater Water Source 2003</i> .	The applicants were unsuccessful (Note: on 15 July 2008 the applicants lodged an appeal with the Court of Appeal).	LEC.	[2008] NSWLEC 165.	The Court confirmed the broad scope of the power to amend water management plans provided by s.45(1)(a) of the <i>Water Management Act 2000</i> and found that there was no obligation on the Minister when making amendment orders to afford procedural fairness.

Prosecution proceedings

Table A5.2 Prosecution proceedings

Parties	Description of proceedings	Result/ Penalty	Court	Citation	Comment
<i>Steve Dunn v Omar Jabal</i>	Unlawfully making an excavation in, on or under protected land, contrary to section 22B(1)(a) of the <i>Rivers and Foreshores Improvement Act 1948</i> .	Defendant convicted and fined \$3,400 out of a possible \$5,500 (and ordered to pay the prosecutor's costs in the sum of \$4,000, plus court costs of \$70).	LC.	NA.	This was one of the highest penalties imposed by a Local Court for an offence of this type.

LEC=Land and Environment Court

LC=Local Court

Appendix 6 Consultants

Consultancies \$30,000 or greater

Table A6.1 Consultancies \$30,000 or greater

Category	Consultant	Title / Nature	Cost (\$)
Environmental	The University of New England	Pindari Dam Fish Study	101,448
Engineering	NSW Department of Commerce	Development of Icon Site Koondrook Blueprints and Stevens Weir Fishway Design Review	107,014
Environmental	NSW Fisheries	Sorting & Identifying Fish Larvae - Hypothesis	66,000
Economic	Frontier Economics	Review of Gas Continuity Scheme	30,000
Management Services	Ian Morton Armstrong	Local Water Utility Inquiry	67,885
Management Services	Col Gellatly & Associates Trust	Local Water Utility Inquiry	56,447
Economic	Independent Pricing and Regulatory Tribunal (IPART)	Review of Water Supply Sewerage & Stormwater Developer Charges	35,169
Environmental	CSIRO	Sydney Metro Water Climate Change Impact Assessment	56,100
Environmental	URBIS JHD Pty Ltd	Water for Life Education Program 2006-2009	55,000
Total for consultancies \$30,000 or greater			575,063

Consultancies less than \$30,000 each

There were 14 consultancies in the following categories:

Table A6.2 Consultancies less than \$30,000

No of Consultancies	Category	Cost (\$)
7	Engineering	50,772
5	Environmental	61,257
1	Information Technology	29,164
1	Management Services	11,000
Total for consultancies less than \$30,000 each		152,193

Appendix 7 Funds granted

The Department granted funds to the following non-government community organisations.

Budget Paper Program Area: 47.1 Water and Energy Policy and Program Delivery

Budget Paper Program: 47.1.1 Urban Water

Table A7.1 Funds granted – Urban Water

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
Australian Conservation Foundation	Water conservation education for householders and pilot education project for 18-35 year-olds	40,000

Budget Paper Program Area: 47.1 Water and Energy Policy and Program Delivery

Budget Paper Program: 47.1.3 Energy

Table A7.2 Funds granted – Energy

Organisation	Purpose	Amount (\$)
Public Interest Advocacy Centre Ltd	Utility Consumer Advocacy Program	310,000
Total Environment Centre Inc	Contribution to campaign on accredited Green Power	15,000

Appendix 8 Privacy

In the 2007-08 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 is committed to ensuring the protection of the right to privacy of its staff and clients. To ensure 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

During 2007–08, DWE received 39 new Freedom of Information (FOI) applications (compared to 47 the previous year). All the applications were non-personal.

With two cases brought forward from the previous year, DWE had a total of 41 applications to be processed. There were no applications carried forward to the next reporting period.

Of the 41 applications processed:

- 20 were granted full access or were otherwise available in full
- 11 were granted partial access or were otherwise available in part
- 0 were refused access because they were held to be exempt
- 4 sought access to documents not held by the Department
- 0 were transferred to another agency
- 3 were withdrawn at the applicant's request
- 2 were discontinued when the applicant failed to pay an advance deposit
- 1 was discontinued because the applicant failed to amend a request that would have been an unreasonable diversion of resources to complete.

Two applications for an internal review were received. In both cases the original determination was upheld.

No applications were received for an amendment or notation of personal records and no Ministerial certificates were issued.

Compliance with the provisions of the FOI Act did not have a significant overall impact on the administration of DWE.

However some applications were so large in scope that DWE officers in certain branches spent considerable time locating and assessing documents.

Section A – New FOI applications 1 July 2007 – 30 June 2008

Table A9.1 New FOI applications

How many FOI applications were received, discontinued or completed?	Number of FOI applications		
	Personal	Other	Total
A1 New	0	39	39
A2 Brought forward	0	2	2
A3 Total to be Processed	0	41	41
A4 Completed	0	35	35
A5 Discontinued	0	6	6
A6 Total Processed	0	41	41
A7 Unfinished (carried forward)	0	0	0

Section B – Discontinued applications

Table A9.2 Discontinued FOI applications

Why were the FOI applications discontinued?	Number of discontinued FOI applications		
	Personal	Other	Total
B1 Request transferred out to another agency (s.20)	0	0	0
B2 Applicant withdrew request	0	3	3
B3 applicant failed to pay advance deposit (s.22)	0	2	2
B4 Applicant failed to amend a request that would have been an unreasonable diversion of resources to complete (s.25(1)(a1))	0	1	1
B5 Total discontinued	0	6	6

Section C – Completed applications

Table A9.3 Completed FOI applications

What happened to completed FOI applications?	Number of completed FOI applications		
	Personal	Other	Total
C1 Granted or otherwise available in full	0	20	20
C2 Granted or otherwise available in part	0	11	11
C3 Refused	0	0	0
C4 No documents held	0	4	4
C5 Total Completed	0	35	35

Section D – Applications granted or otherwise available in full

Table A9.4 FOI applications granted or otherwise available in full

How were the documents made available to the applicant?	Number of FOI applications (granted or otherwise available in full)		
	Personal	Other	Total
All documents requested were:			
D1 Provided to the applicant	0	19	19
D2 Provided to the applicant's medical practitioner	0	0	0
D3 Available for inspection	0	0	0
D4 Available for purchase	0	0	0
D5 Library material	0	1	1
D6 Subject to deferred access	0	0	0
D7 Available by a combination of any of the reasons listed in D1-D6 above	0	0	0
D8 Total granted or otherwise available in full	0	20	20

Section E – Applications granted or otherwise available in part

Table A9.5 FOI applications granted or otherwise available in part

How were the documents made available to the applicant?	Number of FOI applications (granted or otherwise available in part)		
	Personal	Other	Total
All documents requested were:			
E1 Provided to the applicant	0	11	11
E2 Provided to the applicant's medical practitioner	0	0	0
E3 Available for inspection	0	0	0
E4 Available for purchase	0	0	0
E5 Library material	0	0	0
E6 Subject to deferred access	0	0	0
E7 Available by a combination of any of the reasons listed in D1-D6 above	0	0	0
E8 Total granted or otherwise available in part	0	11	11

Section F – Refused FOI applications

Table A9.6 FOI applications refused

Why was access to the documents refused?	Number of refused FOI applications		
	Personal	Other	Total
F1 Exempt	0	0	0
F2 Deemed Refused	0	0	0
F3 Total Refused	0	0	0

Section G – Exempt documents

Table A9.7 Documents exempt

Why were the documents classified as exempt?	Number of refused FOI applications		
	Personal	Other	Total
Restricted documents:			
G1 Cabinet documents (Clause 1)	0	1	1
G3 Documents affecting law enforcement and public safety (Clause 4)	0	1	1
Documents requiring consultation:			
G6 Documents affecting personal affairs	0	2	2
G7 Documents affecting business affairs (Clause 7)	0	5	5
Documents otherwise exempt:			
G25 Internal working documents (Clause 9)	0	2	2
G26 Other exemptions (e.g., Clauses 20, 22A and 26)	0	4	4
G27 Total Exempt	0	15	15

Section H – Ministerial Certificates (S.59)

There were no ministerial certificates issued in the period.

Section I – formal consultations

Number of requests requiring formal consultations – 14

Number of consultations undertaken - 22

Section J – amendment of personal records

There were no requests for amendments of personal records.

Section K – notation of personal records

There were no requests for notation of personal records.

Section L – Fees and costs

Table A9.8 FOI applications fees assessed and received

What fees were assessed and received for FOI applications processed (excluding applications transferred out)?	Assessed costs	Fees received
L1 All completed applications	\$1,122.50	\$837.50

Section M – Fees discounts

Table A9.9 FOI applications fee waivers or discounts

How many fee waivers or discounts were allowed and why?	Number of FOI applications (where fees were waived or discounted)		
	Personal	Other	Total
M1 Fees waived in full	0	1	1
M2 Public interest discounts	0	0	0
M3 Financial hardship discounts – pensioner or child	0	2	2
M4 Financial hardships discount – non profit organisation	0	1	1
M5 Total	0	4	4

Section N – Fees refunds

Table A9.10 Fees refunds

How many fee refunds were granted as a result of significant correction of personal records	Number of refunds	
N1 Number of fee refunds granted as a result of significant correction of personal records	0	0

Section O – Days taken to complete request

Table A9.11 Processing time – days

How long did it take to process completed applications? (Note: calendar days)	Number of completed FOI applications		
	Personal	Other	Total
O1 0-21 day – Statutory determination period	0	23	23
O2 22-35 days – extended statutory determination period for consultation or retrieval of archived records (S.59B)	0	12	12
O3 Over 21 days – deemed refusal where no extended determination period applied	0	0	0
O4 Over 35 days – deemed refusal where extended determination period applied	0	0	0
O5 Total	0	35	35

Section P – Processing time: hours

Table A9.12 Processing time – hours

How long did it take to process completed applications?	Number of completed FOI applications		
	Personal	Other	Total
P1 00-10 hours	0	29	29
P2 11-20 hours	0	5	5
P3 21-40 hours	0	1	1
P4 Over 40 hours	0	0	0
P5 Total	0	35	35

Section Q – Number of reviews

Table A9.13 Reviews finalised

How many reviews were finalised?	Number of reviews
Q1 Internal Reviews	2
Q2 Ombudsman Reviews	0
Q3 ADT Reviews	0

Section R - Results of internal reviews

Table A9.14 Internal reviews

Grounds on which the internal review was requested	Number of internal reviews					
	Personal		Other		Total	
	Original agency decision	Original agency decision	Original agency decision	Original agency decision	Original agency decision	Original agency decision
	Upheld	Varied	Upheld	Varied	Upheld	Varied
R1 Access Refused	0	0	0	0	0	0
R2 Access Deferred	0	0	0	0	0	0
R3 Exempt Matter Deleted from Documents	0	0	2	0	2	0
R4 Unreasonable Charges	0	0	0	0	0	0
R5 Failure to Consult with Third Parties	0	0	0	0	0	0
R6 Third Parties Views Disregarded	0	0	0	0	0	0
R7 Amendment of Personal Records Refused	0	0	0	0	0	0
R8 Total	0	0	2	0	2	0

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
- Appeal against a decision not to grant access to a document or to amend personal records.

Under the *Freedom of Information Act 1989*, DWE 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 DWE; how these functions affect the public; how the public can participate in DWE's policy development; the kinds of documents DWE holds; and how members of the public may access and amend DWE's documents.

Programs and activities

The structure and functions of DWE, how these functions affect the public and how the public can participate in DWE's policy development are detailed elsewhere in this annual report. Information on DWE's programs and activities, publications and its policies can also be accessed on the internet at www.dwe.nsw.gov.au.

Documents held

DWE holds the following categories of documents:

- Policy documents and correspondence
- Documents on internal administration
- Policy, minutes and correspondence to/from boards and committees
- Policy documents and correspondence concerning grants, agreements and contracts.

Accessing Department of Water and Energy documents

Policies and publications can be accessed in several ways:

- Internet – www.dwe.nsw.gov.au
- Library – 10 Valentine Avenue, Parramatta – Phone 9860 1042 – access is by inter-library loan arrangements
- Copies of the Department's publications may also be obtained from the online bookshop at www.shop.nsw.gov.au
- FOI Manager (see below).

Accessing and amending DWE's documents

Requests under the FOI Act for access to documents held by DWE are the responsibility of DWE's FOI Manager.

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:

Kylie Broughton
FOI and Privacy Unit
Department of Water and Energy
GPO Box 3889
Sydney NSW 2001
Phone (02) 8281 7777
Fax (02) 9228 7757

FOI application forms may be obtained by contacting the FOI and Privacy Unit who can also assist with completion of the application or on DWE'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.

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

Amendment to Personal Records

Applicants can request an amendment of documents containing information about their personal affairs where they consider 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 be in writing and need to 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.

Appendix 10 Code of conduct and ethics

For the purposes of meeting the reporting requirements of new agencies under the Annual Reports (Departments) Act the summary and a list of topics from the Code are provided below.

Summary from code of conduct and ethics – our guide to business behaviour

- We must act with integrity and professionally, work safely and collaboratively, focus on client service, and promote sustainability. We must treat our clients and colleagues fairly and consistently, without discrimination.
- This Code outlines the obligations of all employees and provides guidelines for making ethical decisions and resolving conflicts of interest.
- It provides guidelines on the acceptance of gifts, the confidentiality of information, employees' responsibility to Government, comment in the media, speaking engagements, and political, union and volunteer participation.
- We must deal with all matters according to approved procedures, leaving aside any personal beliefs.
- We are expected to perform our duties in a professional manner and be free from any adverse effects of prescription or illegal drugs or alcohol.
- We must provide our clients with all necessary and appropriate assistance.
- We should report any suspected corrupt conduct, maladministration, or serious and substantial waste of public resources.

Code of conduct and ethics – list of topics

A Message from the Director-General

Policy statement

Coverage

Guidelines

Department of Water and Energy Values

Expectations of individuals

Guide to ethical decision making

Guiding Principles for Business Behaviour

1. Integrity and public confidence
2. Responsibility to the Government of the day
3. Respect for people
4. Responsive service
5. Economy and efficiency
6. Rights of employees

Failure to comply

Associated documents

Contacts

Appendix 11 EEO statistics

Statistical Information on EEO target groups

Table A11.1 Trends in the Representation of EEO Groups¹

EEO Group	Benchmark or target %	% of Total Staff ²			
		2005	2006	2007**	2008*
Women	50	n/a	n/a	35	34
Aboriginal people & Torres Strait Islanders	2	n/a	n/a	1.2	1.5
People whose first language was not English	20	n/a	n/a	14	15
People with a disability	12	n/a	n/a	7.8	8
People with a disability requiring work-related adjustment	7	n/a	n/a	2.7	2.6

*Information supplied by DPC Workforce Profile Unit

** Information drawn from DWE sources

Table A11.2 Trends in the distribution of EEO Groups³

EEO Group	Benchmark or target	Distribution Index ⁴			
		2005	2006	2007	2008*
Women	100	n/a	n/a	n/a	94
Aboriginal people & Torres Strait Islanders	100	n/a	n/a	n/a	n/a
People whose first language was not English	100	n/a	n/a	n/a	107
People with a disability	100	n/a	n/a	n/a	96
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a	n/a

*Information supplied by DPC Workforce Profile Unit

¹ Staff numbers are as at 30 June

² Excludes casual staff

³ A distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

⁴ Excludes casual staff

Table A11.3 Representation of EEO groups by salary range

Level	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
< \$35,266		0	0	0	0	0	0	0	0
\$35,266 - \$46,319	29	16	26	3	1	1	0	2	2
\$46,320 - \$51,783	27	15	12	15	1	2	1	2	0
\$51,784 - \$65,526	144	122	59	85	5	12	12	9	3
\$65,527 - \$84,737	250	218	177	73	1	40	36	20	6
\$84,738 - \$105,923	204	169	153	51	0	25	36	8	2
> \$105,923 (non SES)	30	24	22	8	0	1	1	3	1
> \$105,923 (SES)	4	4	2	2	0	1	0	0	0
TOTAL	688	568	451	237	8	82	86	44	14

Appendix 12 Payment of accounts performance

Table A12.1 Quarterly Schedule of Accounts Payable - Aged analysis at the end of each quarter

Quarter	Current (ie within due date) \$	Less than 30 days overdue \$	Between 30 and 60 days overdue \$	Between 60 and 90 days overdue \$	More than 90 days overdue \$
September quarter	204,095	172,190	229,708	64,441	2,149
December quarter	158,464	583,075	20,683	365,675	4,864
March quarter	206,768	72,301	28,781	13,728	15,188
June quarter	626,965	20,593	10,927	12,010	7,782

Table A12.2 Accounts paid on time within each quarter

Quarter	Total accounts paid on time		Total amount paid	
	Target %	Actual %	\$	\$
September quarter	90	85	74,160,363	82,970,911
December quarter	90	82	126,533,534	156,934,080
March quarter	90	80	93,791,044	111,361,734
June quarter	90	88	128,539,172	153,116,254

Notes on above table

Percentage of accounts paid on time is based on SAP Payment Analysis Report, which compares vendor masterfile payment terms, invoice document date and payment document date to determine if payment was made on time and, if not, how many days it was late. The dollar value is the actual dollar value of the documents in each column (ie paid on time, not paid on time), so the percentage is based on number of documents, not dollar value.

Comments

Action taken to improve payment performance include:

- Controls tightened to ensure correct data entry of payment terms and invoice dates in SAP
- Vouchers prioritised as received in Financial Operations so invoices due for payment first get processed first
- Extra resources used during peak periods to ensure smooth workflow
- Compliance with the tax system by vendors and Departmental staff improved.

Business Process Re-engineering of SAP Accounts Payable Module has been developed through the SAP Strategic Development Program which commenced in early 2006 to ensure that the standard best practice SAP functionality is utilised and that the guiding principles of the Government's Corporate Shared Services Reform Agenda is followed.

Appendix 13 Major assets other than land

Table A13.1 Major assets other than land

Major assets other than land

Asset	Book Value \$000
Buildings including regional offices, depots and leasehold improvements	9,065
Water infrastructure systems including bores and other infrastructure	22,930
Plant and equipment	4,357
Intangibles including databases for Water Information Systems	10,450
Total	46,802

Appendix 14 Major works in progress

Table A14.1 Major works in progress

Major works in progress

Project Description	Location	Start	Complete	Est. Total Cost \$'000	Exp. to 30 June 2008 \$'000
Water Information System	Various	2001	2008	7,366	6,866
Water Management Monitoring and Information System	Various	2004	2012	19,975	8,340

Appendix 15 Waste reduction and purchasing policy

DWE is committed to the Government's WRAPP (Waste Reduction and Purchasing Policy).

DWE communicates to all staff by way of its induction program and 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.

Whenever possible, DWE 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 MRI recycling program, where 98% of PC components are efficiently recycled.

Every effort is made to purchase stationery items and furniture items containing recycled content or those products that are manufactured using environmentally friendly practices.

Glossary of acronyms and abbreviations

ABS	Australian Bureau of Statistics	DSC	Dams Safety Committee
ADT	Administrative Decisions Tribunal	DSEP	Dam Safety Emergency Plans
AER	Australian Energy Regulator	DSP	Development Servicing Plans
AEMC	Australian Energy Market Commission	DWE	Department of Water and Energy
ANCOLD	Australian National Committee on Large Dams	EAPS	Ethnic Affairs Priority Statement
ANZSOG	Australian and New Zealand School of Government	EAPA	Energy Accounts Payment Assistance
APESMA	Association of Professional Engineers, Scientists and Managers Australia	EBC	enterprise based conservation
ATEDAC	Australian Transport Energy Data Analysis Centre	EDGAR	Environmental Data Gathering and Reporting tool
AWU	Australian Workers Union	EEO	Equal Employment Opportunity
BASIX	Building Sustainability Index	EIS	Environmental Impact Statement
AWD	available water determination	EP&A Act	Environmental Planning and Assessment Act 1979
AWT	Aboriginal Water Trust	ERIG	Energy Reform Implementation Group
BOM	Bureau of Meteorology	EUSFAC	Energy and Utility Services Functional Area Coordinator
BRS	Bureau of Rural Sciences	EWON	Energy and Water Ombudsman NSW
CAA	controlled activity approval	FOI	Freedom of Information
CALD	culturally and linguistically diverse	GAB	Great Artesian Basin
CAP	catchment action plan	GABSI	Great Artesian Basin Sustainability Initiative
CATSALT	Catchment Scale Salt Balance Model	GAMC	Government Assets Management Committee
CBD	central business district	GCM	global climate model
CCA	Comprehensive Coastal Assessment	GL	gigalitre (1 GL = 1,000 ML = 1,000,000,000 litres)
CEO	Chief Executive Officer	GIS	Geographic Information System
CLAS	Community Language Allowance Scheme	GMLG	Gas Market Leaders Group
CMA	Catchment Management Authority	GMR	Greater Metropolitan Region
CMP	Catchment Management Plan	GGAS	Greenhouse Gas Reduction Scheme
COAG	Council of Australian Governments	GWh	gigawatt-hour
CPRS	Carbon Pollution Reduction Scheme	IAG	Independent Audit Group
CRC	Community Relations Commission for a multicultural NSW	ICAC	Independent Commission Against Corruption
CRR	Central Register of Restrictions database	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
DBBRC	Dumaresq-Barwon Border Rivers Commission	IPCC	Infrastructure and Planning Cabinet Committee
DECC	Department of Environment and Climate Change	IPART	Independent Pricing and Regulatory Tribunal
DEUS	Department of Energy, Utilities and Sustainability	IPART Act	Independent Pricing and Regulatory Tribunal Act 1992
DNR	Department of Natural Resources	IQQM	Integrated Quantity and Quality Model
		IVR	interactive voice response
		IWCM	integrated water cycle management

JCC	Joint Consultative Committee	NSW	New South Wales
JGE	joint-government enterprise	TAFE NSW	Technical and Further Education New South Wales
JSC	(Natural Resource Management) Joint Steering Committee	NWI	National Water Initiative
KPI	key performance indicator	OHS	occupational health and safety
LAP	Liverpool to Ashfield pipeline	OSCAR	Online System for Challenge plus Activity Reporting
LEP	Local Environmental Plan	PANRIIE	Planning and Natural Resource Information Integration Environment
LGA	Local Government Area	PRA	Portfolio Risk Assessment
LPI	Land and Property Information	PSA	Public Service Association
LWMP	Land and Water Management Plan	PVRP	Photovoltaic Rebate Program
LWU	local water utility	Ramsar	Internationally recognised wetlands, first agreed at the Convention on Wetlands, signed in Ramsar, Iran, in 1971
M	million	REP	regional environmental plan
MANF	mean annual natural flow	RFI Act	Rivers and Foreshores Improvement Act 1948
MCE	Ministerial Council on Energy	RRPGP	Renewable Remote Power Generation Program
MDB	Murray-Darling Basin	RSP	results and services plan
MDBC	Murray-Darling Basin Commission	SCA	Sydney Catchment Authority
MEPS	Minimum Energy Performance Standards	SCCB	State Contracts Control Board
MER	Monitoring, Evaluation and Reporting (Strategy)	SEMC	State Emergency Management Committee
ML	megalitre (1ML = 1,000,000 litres approximately the volume of one Olympic-size swimming pool)	SEPP	State Environmental Planning Policy
MRET	Mandatory Renewable Energy Target	SES	State Emergency Service
MWh	megawatt-hour	SLA	service level agreement
MWP	Metropolitan Water Plan	SMS	short message service
MOU	Memorandum of Understanding	SMWG	Smart Meters Working Group
NAIDOC	National Aborigines and Islanders Day Observance Committee	SPOT 5	Satellite equipped with imaging equipment
NAP	National Action Plan (for Salinity and Water Quality)	STP	sewage treatment plant
NEM	national electricity market	SWC	Sydney Water Corporation
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	Water Act 1912
NHT	Natural Heritage Trust	WAG	Water Assessment Guide
NPWG	Network Policy Working Group	WAL	water access licence
NOSEC	National Oil Supply Emergency Committee	WAMC	Water Administration Ministerial Corporation
NRET	NSW Renewable Energy Target	WELS	Water Efficiency Labelling Scheme
NRAC	Natural Resources Advisory Council	WIX	Water Information Exchange
NRC	Natural Resources Commission	WMA2000	Water Management Act 2000
NRM	natural resource management	WRAPP	Waste Reduction and Purchasing Policy
		WSP	water sharing plan

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