

AquaNet Sydney Pty Ltd

ACN 131 235 124

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Retail Supply Management Plan

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Contents

1.	Introduction	4
1.1	Rosehill Scheme Overview	4
2.	Recycled Water Supply Arrangements	5
2.1	Project Agreement	5
2.2	Supply Agreements.....	5
3.	Probability of Supply Interruptions.....	7
3.1	Interruption Due to Demand Exceeding Availability	7
3.2	Risk Assessment	7
3.3	Interruption Due to Incidents or Operational Problems	7
3.4	Interruption Due to Effluent Supply.....	8
3.5	Interruption Due to Recycled Water Quality	8
3.6	AquaNet Financial Viability	8
4.	Alternative Supplies of Water	9
5.	Compliance	9
5.1	Code of Practice for Customer Complaints	10
5.2	Code of Conduct for Debt Recovery.....	10
5.3	Marketing Code of Conduct.....	10
5.4	Transfer Code of Conduct	11
6.	Implementation and Review	11
Annexure A – Overview of the Rosehill Scheme		12
Annexure B – Rosehill Scheme Contractual Framework		13

1. Introduction

AquaNet Sydney Pty Ltd ('**AquaNet**') holds Retail Supplier's Licence number 10_01R issued under the *Water Industry Competition Act 2006* (NSW) ('**WICA**') under which it supplies high quality recycled water from the Rosehill Recycled Water Scheme ('**Rosehill Scheme**'). This document, AquaNet's Retail Supply Management Plan ('**Retail Plan**'), has been developed to satisfy the requirements of the *Water Industry Competition (General) Regulation 2008* (NSW).

The Retail Plan provides:

- an overview of the Rosehill Scheme including the contractual structure under which it operates;
- a summary of the contractual arrangements that AquaNet has entered into with Sydney Water Corporation ('**Sydney Water**') and Customers for the supply of recycled water, and in particular the supply priority and interruptibility provisions of those arrangements;
- a summary of the events that could cause a supply interruption, the likelihood, and how AquaNet will manage such events; and
- a description of the arrangements that AquaNet has in place to manage compliance with specified codes.

1.1 Rosehill Scheme Overview

AquaNet is the retail supplier of the Rosehill Scheme. The Rosehill Scheme involves:

- extracting secondary treated effluent from Sydney Water's Liverpool to Ashfield Pipeline ('**LAP**');
- treating the effluent to produce high quality recycled at the Fairfield Advanced Water Treatment Plant ('**Plant**'); and
- transporting recycled water from the Plant, through a distribution network ('**Network**') to customers in the Fairfield, Cumberland, and Parramatta local government areas ('**Customers**').

The scope of the Rosehill Scheme is shown in **Annexure A**.

The Rosehill Scheme is underpinned by a 20-year Project Agreement between AquaNet and Sydney Water and is capable of delivering up to 25 million litres of recycled water per day to Customers.

Under the Project Agreement, AquaNet delivers recycled water to Sydney Water for the sale to its own customers ('**Foundation Customers**'). Sydney Water has retail contracts with the Foundation Customers. Sydney Water supplies up to 32ML/d of treated effluent (according to an effluent specification in the Project Agreement) to the Plant from the LAP. AquaNet may sell any water in excess of that required to supply the Foundation Customers directly to its own customers ('**Non-Foundation Customers**').

AquaNet owns the Plant and has entered into an Operation and Maintenance Agreement with Veolia Water Australia Pty Ltd ('**Veolia**') who is responsible for maintaining and operating the Plant.

AquaNet and its sister company, Rosehill Network Pty Ltd ('**Rosehill Network**'), have entered into a Pipelines Agreement whereby Rosehill Network constructed and owns the Network. Rosehill Network has entered into an Operation and Maintenance Agreement with Veolia who is responsible for maintaining and operating the Network.

Both Rosehill Network and Veolia hold Network Operator Licences under WICA.

The contractual structure of the Rosehill Scheme is depicted in **Annexure B**.

AquaNet and Rosehill Network are both part of the Water Utilities Australia group of companies ('**WUA**') and through its various subsidiaries, WUA provides the resources, skills and expertise required for AquaNet and Rosehill Network to deliver the Rosehill Scheme.

2. Recycled Water Supply Arrangements

The sale of water to Sydney Water for supply to Foundation Customers is governed by the Project Agreement between AquaNet and Sydney Water. AquaNet also supplies its own direct customers in accordance with recycled water supply agreements ('**Supply Agreements**') between AquaNet and Non-Foundation Customers.

2.1 Project Agreement

Under the terms of the Project Agreement, the Foundation Customers have priority with respect to recycled water supply and are entitled to peak day demand for up to three consecutive days. After three consecutive peak days of usage Foundation Customers are only entitled to the average day demand for the next three days to allow the recycled water storages to be recharged.

Recycled water supply to Foundation Customers under the Project Agreement must be in accordance with the Recycled Water Quality Specification ('**Specification**').

The Project Agreement provides for two alternative potable water supply options:

1. Top-up potable water which is available for supply into the Rosehill Scheme Network at the Fairfield, Woodville and Rosehill reservoirs; or
2. Back-up potable water supplied at the customer sites through a break tank or a three way valve at the customer meter.

In all cases potable water is supplied by Sydney Water. AquaNet or its subcontractors will purchase top-up potable water and Foundation Customers will purchase back-up potable water.

Foundation Customer meter reading, billing and communication is the responsibility of Sydney Water under the Project Agreement.

The Project Agreement also includes Operational Protocols which set out the requirements and obligations of AquaNet in providing routine and event based communications regarding:

- Notifications of interruption of recycled water supply;
- Notifications of interruption of demand for recycled water;
- Notifications of shortfall in demand for recycled water;
- Notifications of shortfalls in recycled water supply;
- Monitoring the operation of Foundation Customer valves and supervisory equipment; and
- Access to Foundation Customer Sites.

2.2 Supply Agreements

At present, AquaNet only supplies commercial and industrial Non-Foundation Customers from the Rosehill Scheme under the terms of a Supply Agreement. The Supply Agreement incorporates interruptible supply of recycled water meeting the Specification. Non-Foundation Customers enter into

Supply Agreements with AquaNet on an optional basis with agreements subject to commercial negotiation.

Under the terms of all Supply Agreements, recycled water supply is on an interruptible basis. This is a core requirement due to:

1. Foundation Customers having supply priority under the Project Agreement; and
2. The delivery of recycled water being subject to factors outside the control of AquaNet.

All recycled water supply under the Supply Agreements will be in accordance with the Specification.

Non-Foundation Customers make their own arrangements with Sydney Water for a potable water supply for circumstances where recycled water supply is unavailable or curtailed.

AquaNet will interrupt recycled water supply if any of the following circumstances occur:

- Interruption of supply is necessary to meet Foundation Customer supply obligations;
- Recycled water does not meet the Specification;
- The customer has breached a condition of the Supply Agreement such that further supply of recycled water presents a risk to human health, the environment or Rosehill Scheme facilities;
- An emergency or force majeure event;
- Recycled water is unable to be delivered (this can result from problems in effluent supply, operation of the plant or operation of the Network); or
- Any material change in circumstance such that supply of recycled water presents a risk to human health, the environment, operation of Rosehill Scheme facilities or would result in a breach by AquaNet of any law or approval.

If supply is interrupted, customer obligations to pay for recycled water are suspended.

In the event of operational issues, AquaNet will maintain supply provided that storages in the Rosehill Scheme are sufficient to supply Foundation Customer demand while maintaining supply.

AquaNet is responsible for meter reading and billing in respect of Non-Foundation Customers.

Operational Protocols form part of the Supply Agreements and set out the requirements and obligations of AquaNet and the Non-Foundation Customer to provide routine and event based communications relating to:

- Data exchange;
- Monitoring and recording of Recycled Water in accordance with the Specification;
- Notifications of interruption of supply;
- Notifications of interruption of demand;
- Notifications of shortfall of supply;
- Notifications of shortfall of demand;
- Out of Specification events and the operational response to an out of Specification event;

- Operation of the customer valves and supervisory equipment; and
- Access to the Site by AquaNet.

3. Probability of Supply Interruptions

3.1 Interruption Due to Demand Exceeding Availability

The Rosehill Scheme has been designed with sufficient capacity to meet Foundation Customer peak demand with capacity for sale to other customers in the event that it is not required by the Foundation Customers. It is therefore reasonable to expect that there will be some level of supply interruption to Non-Foundation Customers.

The design of the Rosehill Scheme provides for potential expansion of the Plant from 20ML/day to 25ML/day. AquaNet will make a commercial decision as to the viability of initiating this expansion by monitoring the level of interruption that occurs as demand grows.

Top-up Water (see section 2.1) will not be used to maintain supply to Non-Foundation Customers as the Top-up water costs more than the revenue that would be lost by AquaNet interrupting supply.

Recycled Water is sold to Foundation Customers and AquaNet customers at 90% of the potable water price.

3.2 Risk Assessment

AquaNet convened a series of Risk Assessment and Critical Control Point workshops in September / October 2010 to identify and establish processes to mitigate any outstanding health and environmental risks and ensure that interruptions are minimised. Workshop participants included representatives from AquaNet, Veolia, Sydney Water, IPART and NSW Department of Health.

The methodology used for Hazard Assessment and Risk Management was in accordance with Veolia Document **PRO-263-5 Risk Management Procedure**, which is based on AS4360, the Australian Standard for risk management.

Output from the workshops included a detailed risk assessment and confirmation of the Rosehill Scheme critical control points.

3.3 Interruption Due to Incidents or Operational Problems

Design of the Rosehill Scheme includes a level of redundancy to ensure that the Network and Plant can operate reliably and loss of supply due to operating problems will be rare. The following design principles have been incorporated into the Rosehill Scheme:

- Pumping stations have been designed with 30% redundancy at full flow and 50 to 100% at lower flows;
- Reservoir locations have been selected such that supply can be maintained for a period of hours during pumping station failure via gravity feed;
- Allowance has been made to connect a temporary generator at both Fairfield and Rosehill in the event of a long term power outage;
- The Plant has full redundancy in the major process trains (i.e. pumps, ion exchange, Micro Filtration Units and Reverse Osmosis Units); and
- The Plant includes a 3ML of storage for secondary treated effluent to smooth out supply fluctuations.

The Scheme is monitored on a 24 hour basis 7 days per week with early warning alarms and equipment condition tested through monitoring of key parameters.

Early warning alarms allow the operators to identify and follow any short term trend and take appropriate corrective action to rectify any recycled water quality or supply issues and avoid interruption to supply.

Maintenance regimes have been put in place by Veolia to ensure that the Rosehill Scheme operates continually and reliably. Planned maintenance that necessitates a partial or full shutdown of equipment will be scheduled in periods of low demand so that supply can be maintained wherever possible.

To the extent that there are interruptions due to operating problems, these issues will be temporary and corrected by Veolia as specified in the Infrastructure Operating Plan.

In the event that the Network or Plant is damaged by any party or a Force Majeure event, then supply may need to be interrupted while the damage is repaired. Reasonable precautions have been taken to prevent such occurrences such as condition monitoring, network surveillance and site security.

3.4 Interruption Due to Effluent Supply

In the event that Sydney Water is unable to provide sufficient effluent to maintain full plant operation or the quality of the effluent falls outside agreed parameters, an Effluent Event will be triggered under the Project Agreement and Sydney Water will provide Back-up or Top-up potable water as an alternative. The probability of an Effluent Event occurring is outside the control of AquaNet.

3.5 Interruption Due to Recycled Water Quality

The Plant has been designed such that it can operate reliably and consistently supply recycled water to the required Specification so that interruption due to quality issues will be rare. In the event that there is an off-specification event, production and/or deliveries will be shut down rather than supply off-specification recycled water to Foundation Customers or AquaNet customers. To the extent that there are interruptions due to quality problems, these issues will be temporary and corrected by Veolia as specified in the WUA Document **RRWS-IMS-DOC-003 Water Quality Management Plan**.

Recycled water quality is monitored continuously at various points throughout the Rosehill Scheme including at the extremities of the Network. Recycled water from the Plant that does not meet the Specification will not be permitted to enter the Network, and in the event that water in the Network is out of Specification then the water will be disposed of through the various scour points. It will not be supplied to customers.

3.6 AquaNet Financial Viability

The Rosehill Scheme is supported by a 20 year Project Agreement with Sydney Water under which AquaNet will receive an ongoing revenue stream from sale of recycled water to Foundation Customers.

The revenue stream provides for:

- Purchase of treated water from Veolia under the Plant Agreement;
- Operating costs of AquaNet and the recycled water distribution network; and
- A return on invested capital.

Project expansion will occur when sufficient market is secured to justify the incremental capital and operating costs of the expansion.

The financial structure of the Rosehill Scheme is such that the risk of financial failure for AquaNet is low. If financial failure were to occur, customers could revert to their potable water back-up supplies or the Minister could appoint a Retailer of Last Resort as provided for in the WICA.

4. Alternative Supplies of Water

In the event that recycled water supply is interrupted, customers will not be left without sufficient water. If the Rosehill Scheme is producing insufficient recycled water to meet demand, supplies of potable water (in the form of Top-up water and Back-up water purchased from Sydney Water) are available to maintain water supply to Foundation Customers.

Non-Foundation Customers are supplied on an interruptible basis and make their own arrangements to manage interruptions to supply of recycled water by arranging back-up potable water supply from Sydney Water.

AquaNet can purchase Top-up potable water subject to limits specified in the Project Agreement, to meet Foundation Customer supply obligations. Those limits are:

- 3% of total Rosehill Scheme recycled water volume from April to September; and
- 7% of total Rosehill Scheme recycled water volume from October to March.

There is no limit on the use of Back-up potable water by Foundation Customers under the Project Agreement.

AquaNet's sole source of income is from the delivery and sale of recycled water. AquaNet therefore has a strong incentive maintain supply of recycled water and minimise the use of potable water.

5. Compliance

WUA manages risk and compliance through an integrated management system ('**IMS**'). WUA's IMS is a centralised system which combines the elements of a quality management system, work health and safety management system and an environmental management system. WUA's IMS is third party certified to the requirements of:

- AS/NZS ISO 9001, Quality Management Systems;
- AS/NZS 4801, Occupational Health and Safety Management Systems; and
- AS/NZS ISO 14001, Environmental Management Systems.

As a member of WUA, the policies, procedures and controls of the IMS apply to AquaNet.

The values, principles, standards and norms of behaviour of WUA are detailed and communicated to employees, contractors and business partners in a variety of ways. At the most fundamental level, WUA expects its employees, contractors and business partners to act with honesty and integrity, be ethical and act in caring and respectful way towards each other, our customers, the community, and the environment.

The Board of WUA has approved two key policies relating to WUA's values and principles which relate to sustainability, workplace safety, quality of products and the protection of the environment. These are the WUA Documents, **WUA-IMS-DOC-003 Sustainability Policy** and **WUA-IMS-DOC-001 Quality, Health, Safety and Environment Policy**.

The Audit, Risk & Compliance Committee ('**ARCC**') of WUA has been established by the WUA Board to provide an objective review of the effectiveness of WUA's financial reporting and risk management framework. The principal role of the ARCC is to assist the Board in fulfilling its corporate governance

and oversight such as: health and safety, financial reporting; financial condition; internal controls; internal and external audit; risk management compliance; insurance; and sustainability.

5.1 Code of Practice for Customer Complaints

The WUA Document, ***RRWS-IMS-DOC-004 Code of Conduct for Customer Complaints*** has been developed by AquaNet and is consistent with the Australian Standard for complaints handling AS ISO 10002—2006.

The Code of Conduct for Customer Complaints specifies the process by which AquaNet will respond customer or community complaints, contact details and how the complaint can be escalated if necessary.

The Code of Practice for Customer Complaints is available on the AquaNet website and customers will be made aware of the Code prior to commencement of supply of recycled water.

AquaNet will abide by the Code of Conduct for Customer Complaints.

5.2 Code of Conduct for Debt Recovery

The WUA Document ***RRWS-IMS-DOC-005 Code of Conduct for Debt Recovery*** has been developed by AquaNet and is consistent with the terms of the recycled water supply agreements between AquaNet and its customers.

The Code of Conduct for Debt Recovery specifies steps that AquaNet will take in relation to overdue bills, unpaid bills and disputes. A short term payment plan will be available for customers suffering financial hardship.

The Code of Practice for Debt Recovery is available on the AquaNet website and customers will be made aware of the Code prior to commencement of supply of recycled water.

AquaNet will abide by the Code of Conduct for Debt Recovery with all customers.

5.3 Marketing Code of Conduct

The Marketing Code of Conduct published by the NSW Government specifies how marketers must conduct themselves when they deal with small retail customers. A person is a small retail customer in relation to water supply if the maximum rate at which water is supplied, pursuant to one or more water supply contracts, to all premises that the person owns, leases or occupies is less than 15 megalitres per year.

Rosehill Scheme water is highly treated and can cause accelerated corrosion in materials normally used for water reticulation such as cast iron, copper and concrete. Special materials must be used to handle the water or it must be treated further if standard materials are used. In either case, the cost and inconvenience of these options is likely to make Rosehill Scheme water unattractive for individual small customers.

Of the industrial, commercial and local government customers and potential customers that AquaNet presently deals with, only some local government irrigation sites and two to three line of main industrial users are small retail customers. AquaNet has no plans to market directly to residential customers.

If the Rosehill Scheme is extended to supply new developments, for example through dual pipe systems, then AquaNet's present plan is to supply other retailers on a wholesale basis for onward supply to customers in those developments.

AquaNet will develop the recycled water market through one to one business to business communication such as meetings, phone calls and emails.

AquaNet will also maintain an internet site with information on the Rosehill Scheme and the benefits of recycled water use. Customer events will occasionally be held and will be by invitation.

AquaNet will abide by the NSW Government Marketing Code of Conduct in communication with small customers.

5.4 Transfer Code of Conduct

The NSW Government Transfer Code of Conduct describes the arrangements that apply when a customer of any size is transferred from one licensed retailer supplier to another or to a public water utility, or from a public water utility to a licensed retail supplier. The Code imposes obligations on both the incoming and outgoing retailer, and the network operator.

At present Sydney Water and AquaNet are the only retailers that will be supplying water from the Rosehill Scheme and that situation is unlikely to change in the foreseeable future.

6. Implementation and Review

AquaNet will:

- ensure that this Plan is fully implemented and regularly reviewed according to the guidelines below;
- supply recycled water in accordance with the terms of the Project Agreement and Supply Agreements; and
- provide routine and event based communications in accordance with the agreed operational protocols.

This Plan will be reviewed on direction of the Minister or if any of the following circumstances occur:

- AquaNet enters into arrangements to supply Small Retail Customers;
- There is a change to the terms of the Supply Agreements that represents a material change to this Plan; or
- A change is required as the result of a change in law.

The Codes of Practice for customer complaints or debt recovery will be reviewed if:

- There is a change to the WICA regulations or other law that has a material effect on the codes;
- There is a material change to the terms of the Supply Agreements; or
- There is a material change to AquaNet processes.

If the Plan or Codes of Practice are updated as a result of the above processes, an updated copy will be provided to IPART and when agreed, posted on the AquaNet website with copies provided to the ombudsman and the Minister.

Annexure A – Overview of the Rosehill Scheme



Annexure B – Rosehill Scheme Contractual Framework

