

Annual report

2006–2007

The Hon Ian Macdonald MLC

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30 November 2007

Dear Ministers

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

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

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

I commend the report to you.

Yours sincerely

Mark Duffy

Director-General

Department of Water and Energy

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About this report

The new organisation

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

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

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

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

Performance reporting

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

Performance 2006–07

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

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

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

Part 1

Overview

Departmental overview

Who we are

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

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

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

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

What we do

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

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

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

Our services

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

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

Our Key Result Areas

KRA 1 - Water Management

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

KRA 2 - Urban Water Utilities

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

KRA 3 - Energy Supply and Use

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

KRA 4 - Organisational Capability

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

Our vision

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

Our key clients and stakeholders

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

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

Our values

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

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

Director-General's review

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

Establishing the organisation

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

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

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

Focusing on priorities

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

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

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

Promoting sustainable water sharing and trading

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

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

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

Securing Sydney's water supply

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

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

Facilitating recycling

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

Promoting water education and conservation

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

Supporting water and sewerage infrastructure

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

Enhancing local water utility performance

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

Managing for drought

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

Leading transformation of the National Energy Market

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

Improving reliability of electricity supply

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

Increasing renewable energy use

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

Protecting vulnerable customers

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

Looking forward

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

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

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

Mark Duffy

Director-General

Department of Water and Energy

Performance summary

Water management

Co-operative water management

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

Sustainable Water sharing

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

Clear water rights and trading

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

Industry adjustment and improved environments

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

Informed decisions

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

Key Performance Indicators

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

Urban water utilities

Metropolitan Water

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

Non-Metropolitan Water

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

Key Performance Indicators

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

Energy supply and use

National and NSW Energy Policy

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

Regulation of Energy Network Reliability

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

Renewable Energy and Efficiency Programs

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

Vulnerable customer support

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

Key Performance Indicators

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

Organisational capability

Service Delivery

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

Governance and Risk

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

People and Culture

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

Systems, Processes and Information Resources

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

Financial and Asset Management

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

Key Performance Indicators

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

Financial performance summary

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

Operating result

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

Comment

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

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

Expenses by Key Result Area (KRA)

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

Comment

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

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

Expenses

Expenses by type

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

Comment

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

Capital program

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

Impact of economic factors

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

The year in brief

2006

July

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

August

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

September

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

October

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

November

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

December

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

2007

January

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

February

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

March

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

April

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

May

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

June

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

Management and organisational structure

Management Framework

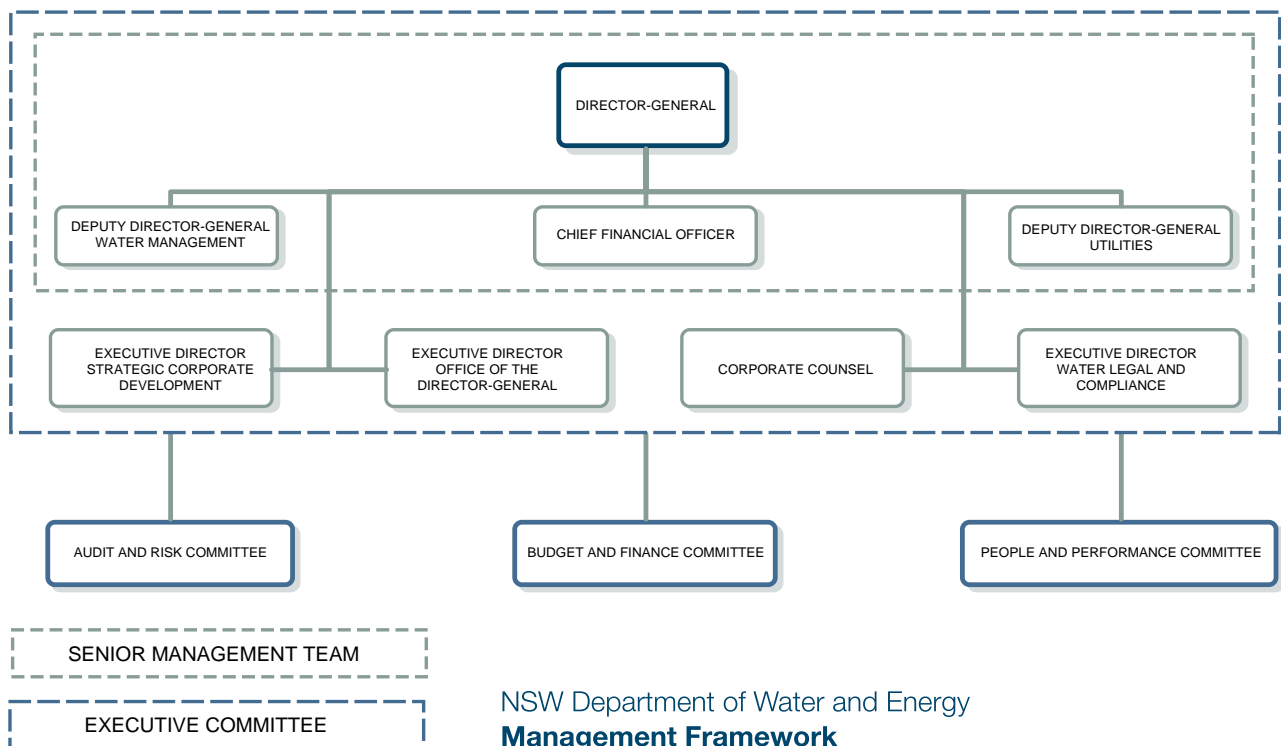
The Department is led by the Senior Management Team consisting of the Director-General, two Deputy Directors-General and the Chief Financial Officer.

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

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

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

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



Organisational structure

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

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

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

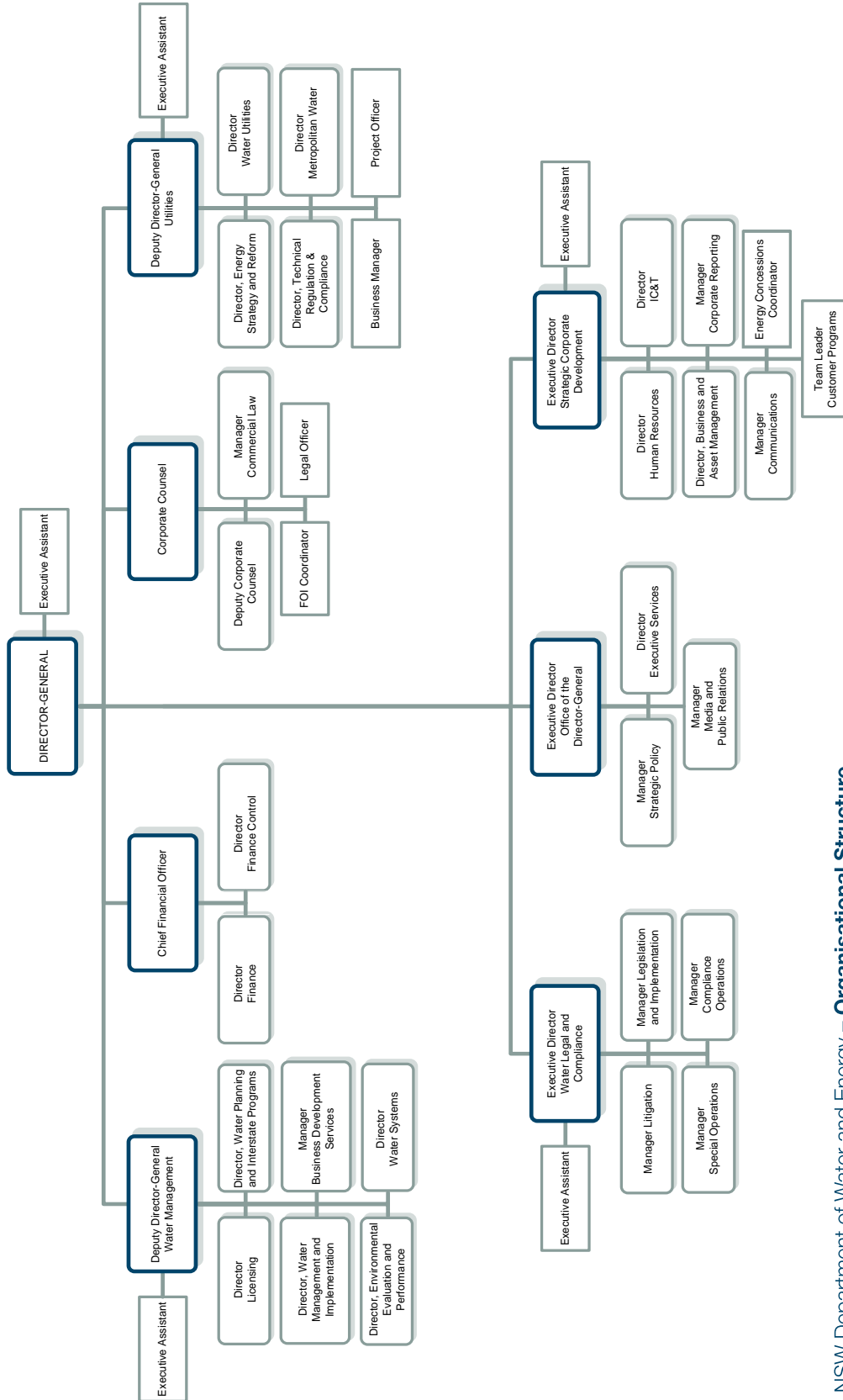
Corporate Finance Division – strategic budget and financial management.

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

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

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

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



NSW Department of Water and Energy – Organisational Structure

Executives

Director-General

Mark Duffy - LL.B, BEc, MA

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

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

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

Deputy Director-General, Utilities

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

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

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

Deputy Director-General, Water Management

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

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

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

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

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

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