## SUBMISSION ON HUNTER WATER'S PART 2 RESPONSE (SYSTEM PERFORMANCE STANDARDS) TO IPART'S ISSUES PAPER

In the Preface to Hunter Water's response (1Nov21) to IPART's Issues Paper, Hunter Water states that a 'cost-benefit analysis was underway to assist our consideration of the price-service mix for each performance standard.' It appears that The Centre for International Economics (CIE) has been engaged for this purpose.

Exactly why an economic research agency has been engaged and why a 'price-service mix' takes priority for Hunter Water to achieve the performance standards of its operating licence review is unclear, other than the CIE would likely support Hunter Water's economic approach to what is a life- essential, life supporting monopoly service. Without clean drinking water we could become ill or die. Without adequate clean water, again, people could become ill or die. The economics of water supply and waste water removal should not be the driver of Hunter Water's approach to these essential services.

It appears that Hunter Water's existing Operating Licence has five system performance standards in relation to three specific, key issues essential to the supply of water and wastewater services. These three services are <u>water</u> <u>continuity</u>, <u>water pressure</u> and <u>dry weather wastewater overflows onto private property</u>.

However there appears to be no mention in the Licence of a performance standard for <u>an adequate supply</u> of drinking quality water. More importantly, there appears to be no mention of a performance standard for a <u>minimum</u> per person per day supply of drinking water. Other than Hunter Water asking customers what minimum daily supply they could accept it appears there has been no research into what the minimum supply should be. Any proposed increase in supply must surely be 'hit or miss' at best.

Hunter Water's *figure 2.1 Customer expectations of Hunter Water* (page 8) shows 'enough supply' as being a major expectation. *Figure 2.2 Phase one customer engagement findings – water supply* (page\_8) states 'a plentiful water supply depends on all of us.' Whether customers should expect a plentiful supply or an adequate supply is debatable but Figure 2.2 mentions water conservation and the possibilities of incentives to conserve water as the only suggested means of maintaining a satisfactory supply of water.

Point 2.2.1 of Hunter Water's response (page 11) suggests that 'Standards should relate to a service interruption'. This is completely ignoring the possibility of an ongoing insufficient supply, whether through severe drought or some other event. However, point 2.2.2 says 'Standards should relate to outcomes (benefits) important to customers.' In the event of severe drought and a continuous but inadequate supply of drinking water available to Hunter Water's clients, these two standards are incompatible. Neither a standard of 'adequacy' nor of 'minimum daily supply per person' appear to have been determined and this is of paramount importance. These standards must be established before any future-proofing of supply can be considered.

To achieve a level of supply sufficient to meet a 'minimum daily supply per person', infrastructure upgrades including desalination plants will be needed. However, there is constant mention of any increase in performance outcomes resulting in increased cost to the consumer. This should not be the case. This approach follows that of a commercial business where an increased service level must be supported by a corresponding increase in cost. The Hunter Water Corporation is not a commercial business and should not be functioning as one. Apart from the dividends Hunter Water pays to government revenue, State taxes and stamp duties are collected from Hunter residents. These sources of revenue should be available for system upgrades.

A Performance Standard for supply of a minimum per person per day supply of drinking quality water should be included in Hunter Water's Operating Licence.