

SUBMISSION TO IPART REGARDING HUNTER WATER'S OPERATING LICENCE REVIEW

IPART has asked for comments including a response to Hunter Water's proposed changes to the Customer Contract and specifically for support (or not) of the proposed changes.

Q1. . Do you agree with retaining the existing drinking and recycled water quality management conditions, with an explicit Licence condition to comply with any requirements specified by NSW Health?

Yes, I agree.

Q2. . Is there an alternative water quality standard that we should consider when looking for the most cost-effective option for ensuring health and environment outcomes?

No comment.

Q3. . What are the benefits and costs of including a condition in the Licence for Hunter Water to comply with the NSW Code of Practice for Fluoridation of Public Water Utilities Supplies?

No comment.

Q4. . Do you have any comments on retaining the existing system performance standards but revise the levels of service specified in the Licence? Should the level of service be set at an optimal level that reflects customers' willingness to pay for higher levels of performance?

Yes, I agree the level of service should be set at an optimal level.

Q5. . Are there other standards that the Licence should include to hold Hunter Water to account for the levels of service it provides to the community?

There appears to be no requirement for Hunter Water to provide a minimum water supply to its network under extreme drought conditions. The Draft Lower Hunter Water Security Plan – August 2021 page 37, 2.2 "We need a new approach to planning for drought" acknowledges "A secure water supply is essential for the health of the community and the prosperity of the region." The Plan also acknowledges (page 38) that "Being able to supply enough water to meet minimum customer demands in a long and severe drought was supported by 84% of participants in the most recent survey".

Page 38 of the Draft Plan also states "the Lower Hunter community supported a range of water restrictions and water use behaviours late in a period of drought that would reduce water consumption from typical levels of 190 litres per person per day to around 100 litres per person per day. The current system provides an ongoing water supply in a long and severe drought equivalent to 50 litres per person per day."

There is no suggestion that Hunter Water has run a trial of consumers willing to limit their water consumption to 100 litres per person per day for a reasonable period, say 1 month, let alone a trial of 50 litres per person per day. During a severe drought, to provide just 50 litres of water per person per day when the typical consumption has been 190 litres per person / day seems woefully inadequate. It is likely that many consumers would be unable or unwilling to limit consumption to 50 litres per person per day.

The Plan does say (page 38) "Hunter Water will meet the community's water supply needs under all climatic conditions, including minimum supply requirements during a long and severe drought".

There appears to be no suggestion of what a 'minimum supply' should be. I believe a trial should be

conducted to determine an acceptable minimum daily supply of drinking quality water and Hunter Water be required to provide infrastructure to supply this minimum standard.

Q6. Do you agree with retaining the existing requirements in the Licence for Hunter Water to undertake and report on water conservation (where it stores and transmits water, before treatment), as follows: – Retaining requirements to calculate the system yield? – Focusing on maintaining and implementing the water conservation program? – Continuing to not require an economic approach to water conservation?

No comment.

Q7. . Should the Licence include a condition to require Hunter Water to implement its economic approach to water conservation (when supplying treated water to customers)? We also propose including the following changes for greater consistency with the Sydney Water Operating Licence: – Requirements to maintain a water conservation work program and implement water conservation measures? – A requirement for the water conservation work program/measures to be consistent with an appropriate economic method? – Publishing requirements for the economic method used and the current level of water conservation? – Requirements for Hunter Water to periodically review its economic level of water conservation? – Requirements allowing the Minister to direct Hunter Water to revise the methodology at any time and for the Minister to approve the revised methodology?

No comment.

Q8. . Should the Licence impose additional requirements on Hunter Water, or is there a more efficient way for Hunter Water to maintain a focus on water conservation?

No comment.

Q9. . Should Licence conditions or reporting requirements be imposed on Hunter Water regarding customer billing? If so, what form should these take?

No comment

Q10. . Should the requirement for Hunter Water to provide notice to IPART of changes to the Customer Contract, before it publishes the notice in accordance with the Act, be removed from the Licence?

No, this requirement should be retained. A contract should be an agreement between parties – in this case Hunter Water and its customers. The Customer Contract is becoming more like an edict where Hunter Water dictates the conditions of service and supply. Us poor customers have to like it or lump it but we can't. Further, any proposed change to the Customer Contract should be supported by justification for the change with evidence the customer won't be disadvantaged by the proposed change.

Q11..Regarding the Customer Contract: – Are the rebates in the current contract well targeted and set at the right levels?

The rebates in some circumstances are inappropriate. Unplanned interruptions to water service rebate the customer for up to 3 interruptions in a financial year but no rebate for subsequent interruptions. In that unlikely event the customer would be very disadvantaged but has no compensation. There should be ongoing rebates for further interruptions. Further, dry weather wastewater (sewerage) overflows on the customer's property are rebated by credits to the

customer's water consumption but again, only up to 3 events per financial year. Firstly, the failure is to the sewerage system; nothing to do with water consumption by the consumer. The rebate should be a stepped percentage discount off the sewer service charge and should apply to all dry weather wastewater overflows, not just 3 per financial year. The failure of the wastewater system should be targeted, not the customer's water consumption.

– Should any of the provisions of the Customer Contract, other than those already specified in clause 5.2.1 of the Licence, apply to 'consumers' who are not parties to the contract (e.g. tenants or property occupiers that are not landowners)?

Yes.

– Do you support Hunter Water's proposed changes to the Customer Contract (that will be published as part of Hunter Water's submission to the Issues Paper after 24 September 2021)?

No. The Customer Contract, as proposed by Hunter Water, is a major reworking from the current contract. It is extremely difficult to follow (as an example please see the second paragraph of Appendix 2, Proposed Customer Contract, Clause 12, page 22). It is unreasonable to expect a reader to understand the meaning of these changes as shown by Hunter Water.

To aid a reader's understanding of the various clauses it may be better if the words to be deleted are shown as, say, in brackets and the proposed new wording immediately following and shown in italics or bold. Linking lines to a side panel don't necessarily line up with the intended insertion.

I ask IPART to reject the entire proposed Customer Contract as being unacceptably difficult to follow and to invite Hunter Water to re-submit it in a more reader-friendly format with an appropriate extension of time for review and submissions.

Q12. . Do you agree with our preliminary positions for maintaining or improving the Licence and reporting provisions for protecting customer rights, including:

– Retaining the existing condition requiring Hunter Water to make services available to properties, on request?

Yes.

– Retaining the existing condition to maintain and implement policies and procedures for assisting customers facing payment difficulties?

Yes

– Including a new condition for Hunter Water to provide information to customers and consumers about payment assistance options on the date that Hunter Water first identifies that the customer is facing payment difficulty?

Yes

– Including new condition to develop and implement a family violence policy?

Yes

– Retaining the existing condition to maintain and implement an internal complaints-handling procedure and communicate the procedure to customers?

Yes. – Retaining the existing conditions to be a member of the Energy & Water Ombudsman of NSW (EWON) and publish information about referring customer complaints to EWON?

Yes.

– Updating the existing Licence conditions to improve how Hunter Water communicates its customer rights' protection policies?

Yes.

Q13. . Should the Licence include other requirements for protecting customers' rights?

No comment.

Q14. . In your view, should the licence allow for other options for how Hunter Water to effectively consult with a broad cross-section of customers about the systems and services it provides?

Yes.

Q15. . Do you support our preliminary positions to update the Licence conditions requiring organisational system management by:

– Retaining the existing Licence condition for maintaining and implementing an Asset Management System (AMS)?

Yes

– Removing the existing condition to report on the proposed changes to the AMS, and the requirement to submit the Strategic Asset Management Plan to IPART once in the Licence term?

No.

– Removing the existing Licence condition for maintaining and implementing a Quality Management System?

No.

Q16. . Do you consider that there is benefit in retaining requirements for an Environmental Management System or is there a more efficient way to minimise harm to the environment from Hunter Water's operations?

Other than stating an Environmental Management System of some sort is essential, I have no further comment.

Q17. Do you support our preliminary position to retain the existing Licence condition requiring an MoU with NSW Health? Or is there a more efficient way to regulate this relationship?

Yes, I support the retention of the existing licence requirements.

Q18. If you support retaining a requirement for an MoU with NSW Health, what are your views on the following:

– Should the MoU continue to include reporting requirements to NSW Health, for events that might pose a risk to public health or are these adequately covered in the Reporting Manual?

I support the existing requirements.

– Should the Licence continue to include reporting requirements to NSW Health, about water quality, or is this adequately covered in the Reporting Manual and under the Public Health Act 2010?

Yes, the Licence requirement should continue unchanged.

Q19. Do you consider the MoU with DPIE is still necessary, and if not, are there aspects of the MoU that should still be regulated by Licence?

No comment

Q20. . Do you support our preliminary position to retain the requirement for an MoU with Fire and Rescue NSW (FRNSW) and to expand the membership requirements for the working group to include NSW Rural Fire Service? Or is there a more efficient way to regulate Hunter Water’s relationship with FRNSW?

Yes, I support the retention of a MoU with FRNSW and the inclusion of the NSW RFS.

Q21. Do you support the following measures for protecting potential competitors when dealing with Hunter Water or is there a more efficient way of achieving the same outcome:

– Retaining the Licence condition to make services available to WIC Act licensees?

No comment.

– Including a new Licence condition to negotiate with WIC Act licensees and ‘potential competitors’ in good faith?

No comment.

– Retaining the Licence condition to cooperate with WIC Act licensees seeking to establish a code of conduct?

No comment.

– Including a new Licence condition to publish servicing information to WIC Act licensees and competitors?

No comment.

– Including a new reporting requirement to report annually on matters, such as the number of agreements established with WIC Act licenses and the time taken to respond to information requests.

No comment.

Q22. Do you agree with our preliminary positions of:

– Revising the Licence structure to be consistent with the Sydney Water Operating Licence?

No, I disagree with the position of revising the Licence structure for consistency with Sydney Water. This appears to be a ‘one size fits all’ approach. I believe Hunter Water’s Licence has been honed over previous incarnations and - if it ain’t broke, don’t fix it.

– Revising the Licence objectives to more closely reflect Hunter Water’s principal objectives under the Act?

I don't know how the current principal objectives of the Licence read but IPART's preliminary position of modification of the existing objectives seems extremely vague. Surely the principal objectives should be very specific and detailed. To supply water, sewerage and drainage services and to dispose of wastewater is the most basic description of objectives. IPART states 'Any Licence (or other regulatory instrument) should clearly set out its objectives'. It is reasonable to expect the Licence structure to clearly state the objectives of the operating licence with wording easily understandable by an ordinary customer.

– Retaining the existing pricing condition?

IPART states at points 1.3 and 1.3.1, that, in conducting this Review, 'We (IPART) will take a customer-focused approach'. However, and in stark contrast, IPART's preliminary position is to retain the pricing condition, considering the existing condition is 'outcomes-focussed'. What does 'outcomes-focussed' mean? Also, as a State-owned monopoly entity providing a commodity, essential to the wellbeing and existence of the Corporation's consumers, I would expect price to be incidental to outcomes. I instead propose pricing that is fairness-focussed. A customer who, for whatever reason, is not using Hunter Water's services or infrastructure must still pay a substantial and unfair bill just for the services available to the property. This customer is making no demand on the precious water supply and is putting no load on the waste system. Likewise, a single occupant of a premise will be charged proportionately more than a multiple-occupant premise. It appears that, over many years, the pricing structure has moved away from part user-pays to one where everyone pays dearly for the service and moderately for the water consumed, thus maximising the financial return to Hunter Water. As the consumption portion of many bills could be only a small percentage of the total charge, there is no real incentive for consumers to use water responsibly. I believe that weighting the pricing more towards slightly higher consumption charges and lower fixed charges would result in worthwhile water savings.

Q23. . Do you have any other issues or concerns you would like to raise relating to the Hunter Water Licence?

No other issues.