

A response to IPART'S draft report on Hunter Water's 2024 Pricing Proposal.

I thank IPART for the opportunity to comment on its Draft Report on Hunter Water's 2024 Pricing Proposal.

SUMMARY

1. I disagree with IPART's acceptance of Hunter Water's self-assessment score of its Pricing Proposal as '**advanced**'. (IPART Report Summary point 1.6, Pg 13).
2. I also disagree with IPART's summarised proposal at point 1.2 stating '**Under our draft maximum prices, we propose increases in typical bills on average by 3.6% per year**'.

I disagree for the following reasons: --

Re IPART's acceptance of Hunter Water's self-assessment score.

Firstly, there are so many points in Hunter Water's 2024 Pricing Proposal which should be challenged and I believe IPART failed to adequately do so. The Proposal is an extensive document running to 327 pages and in four parts, obviously intended to bore the reader into acquiescence. It is therefore likely that very few people bothered to wade through such a tome.

Of particular note is Hunter Water's proposal at Page 215. There is a heading stating **Customers currently have a high ability to reduce their water bills**. It continues with **Water usage charges make up about 94 per cent of the total annual water bill for a house with typical water use of 146 kL per year**.

I may be confused but a 'typical' household, using 146kl water per year has an annual wastewater (fixed) charge of \$778.38 and a water service charge of \$27.21 making a total of \$805.59. If Hunter Water believes these fixed charges make up the difference, just 6% of the typical annual bill, **this typical household's annual bill would equate to \$13,426.50 and have a water consumption component of \$12,620.91** in that billing year!

Perhaps Hunter Water has chosen to highlight only the water charges and ignore the wastewater charge(s) but Hunter Water's customer bills are considered, quite reasonably, to include all charges imposed by Hunter Water.

Irrespective, Hunter Water's assertion is incompetent, irresponsible or deliberately misleading. In truth there is a limited opportunity for customers currently to reduce their water bills.

Keeping in mind Hunter Water's commitment to **Customers at the heart**, it is reasonable to expect a pricing schedule that works for **customers**, not for the Corporation. Part One of the Proposal, Section 8.1 is headed '**Our price structures are cost-reflective and fair**'. However, the first paragraph of this section concludes '**prices that are cost-reflective and equitable**'.

It seems Hunter Water is torn between '**fairness**' and '**equity**'. Fairness to the individual customer is not achieved through equity to the whole.

With regard to the Proposal and wastewater charges in particular, Hunter Water acknowledged complaints by customers **about residential wastewater charges being entirely fixed**. One of three key questions that Hunter Water put to customers via surveys and focus groups was: - **Wastewater prices for residential customers: Should we continue with a 100% fixed charge (based on deemed usage) or (re)-introduce an explicit variable component based on estimated discharge volume for each customer?**

Today's customers should be informed as to why the explicit variable component of the wastewater charge was ever removed. Without the variable component the small household, the responsible household, the frugal household is subsidising the large, the wasteful and the irresponsible household.

Surely the most informed responses to the wastewater question were from the focus group after their in-depth discussion. In all three cases the preference was for a usage charge based on 75% of metered water usage. As shown in figure 8.12 of the Proposal, and after an approximate percentage distribution of the non-committed responses, approximately 60% of the customers preferred ***'a variable part based on assumed wastewater discharge volume (75% of metered water usage)'***.

Page 62 of the Proposal is headed ***Customer outcomes***. Point 2.1 says ***Our proposed outcomes reflect the priorities of our community***. This statement is clearly incorrect. With ***Customers at the heart***, why does Hunter Water consider a clear majority favouring an explicit variable component reflecting the load a household places on the waste system to be ***'not compelling enough'*** - not sufficiently compelling to reintroduce fairness to the pricing structure?

With Hunter Water's indifference (at best) to customers' wishes, incompetence regarding customer billing and dismissiveness towards fairness, the self-assessment score of ***'advanced'*** is insulting.

IPART should refuse to accept that score and assess the Proposal as sub-standard or certainly no higher than standard.

Re IPART's proposal to allow an increase in typical bills on average by 3.6% per year

An increase in a typical bill of 3.6% plus inflation, each year for 5 years would mean a typical household would be paying nearly 20% more in real terms in year 2030. Without the incentive for households to reduce their bill amount through better management of their consumption, and thus a reduced bill amount, many households would find this an unbearable impost.

The best way for customers to manage the proposed increases is for them to have ***a high ability to reduce their water bills***. This can be done with *an explicit (and appropriate) wastewater usage charge, based on 75% of their metered water usage*.

IPART's review, 1.2, page 8 says ***Our draft price increases would apply to usage charges more than service charges***. IPART is absolutely correct in saying that ***a variable water usage charge . . . is important because it sends a signal to customers about how much water not only costs to collect, make safe and distribute – but also how expensive it will be to increase supply if needed***.

The same is also true about the cost of making safe the collected wastewater, the separation and processing of the solid material and disposal thereof.

The variable water usage charge plus a variable wastewater usage charge would send a much stronger signal to the customer that their entire bill amount would better reflect the customer's efforts to not waste water and thus better manage their total bill amount.