

Hunter Water Pricing 2025-30 Issues Paper

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About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are marginalised and facing disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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1. Introduction

The Justice and Equity Centre (JEC) welcomes the opportunity to respond to the Independent Pricing and Regulatory Tribunal's (IPART) Review of Prices for Hunter Water Issues Paper (the Paper). Hunter Water's pricing over the next regulatory period will determine how it will finance meeting the needs and interests of the Hunter community in equitable access to safe, reliable and sustainable water services.

The JEC has been deeply involved in Hunter Water's engagement with its community to develop its Pricing Proposal. With this being the first process utilising a new regulatory framework intended to focus more squarely on consumer and community-centred decision-making, we have focussed on observing, engaging with and assessing the processes through which Hunter Water has consulted with its community. The JEC is a member of Hunter Water's Customer and Community Advisory Group (CCAG) and the Customer Engagement Advisory Panel (CEAP).

The JEC acknowledges the context for Hunter Water's Pricing Proposal is a particularly challenging one. Consumers are experiencing prolonged cost-of-living challenges, there is planned population growth for the Hunter region, climate risks for water are increasing and Hunter Water's infrastructure is aging and in need of renewal and replacement. These challenges are increasingly impacting water utilities across the country, not just Hunter Water.

These circumstances have resulted in step-changes in investment, with decisions impacting the long-term resilience of water services in the Hunter. Arguably this is different from previous proposal periods and what may be regarded as the more usual 'incremental' changes which economic regulation has dealt with over recent decades. Meeting the challenges of the coming decades requires significant investment in our water infrastructure and services, often relating to growth, government policy change and significant changes in investment and planning to better manage the risks of climate change.

In the context of these challenges facing both Hunter Water and Sydney Water, the JEC raise questions as to who is best placed to bear the cost of these important investments and recommend examining alternative or additional means to ensure consumers only carry a fair share of costs to ensure water services remain affordable over following decades. We have observed consistent consumer and community angst – including during Hunter Water's engagement as part of this process - at being asked to carry the full cost of growth in infrastructure investment, particularly where it results from government policy. Balancing appropriate investment and risk management with ongoing equity and affordability of water services for households over the short and long term is a key challenge considered as part of this process.

Clarification on the role of JEC

The JEC has been deeply involved in Hunter Water's process of engaging with its community and developing its Pricing Proposal. The JEC is a member of Hunter Water's Customer and Community Advisory Group (CCAG) and the Customer Engagement Advisory Panel (CEAP).

This engagement has largely been undertaken as part of the JEC's role as a consumer engagement expert and advocate for the interests of NSW households, and in service of our objective to ensure decisions which impact NSW household access to water services are grounded in, and shaped by, robust engagement with consumers and the community.

We are aware that some stakeholders do not have a clear and consistent understanding of the two distinct roles the JEC undertakes for NSW households. Given this submission presents perspectives encompassing both roles, it is important to clarify them here.

The JEC role, which is potentially best understood, is as an expert advocate for the interests of NSW households for equitable and dependable access to affordable and sustainable water services. In this role we develop and advocate for positions we consider promote the interests of NSW households. In this advocacy we make clear that we do not 'represent' consumers or their preferences but rather represent and advocate for what we consider best promotes their interests.

Less well understood is our role in shaping, observing and assessing direct consumer engagement. Our purpose in this role is to ensure that parties with an interest in disentangling consumer and community views on regulatory matters can do so. We seek to ensure engagement enables people and communities to 'speak for themselves' and provide the most meaningful expression of their own values, preferences and priorities on these issues. In this work we concentrate on the process of engagement, the principles which underpin it, how it is structured and conducted, and how its results are translated and integrated through decision-making practices. Crucially, in this work our own perspectives on the merits of the matters under consideration, or the results are not considered and we make efforts to ensure they do not impact our assessments.

Put simply, we seek to both advocate for the interests of households and ensure engagement provides the best opportunity for households to express their preferences and values regarding decisions that matter to them.

This distinction is important. It is possible for a robust, 'valid' engagement process to result in an expression of preferences that does not accord with our assessment of the consumer interest. For instance, households included in Hunter Water's community engagement expressed a preference for changes to wastewater charging. Our assessment is that this could be regarded as a valid expression of the community preference. Separately, we do not consider such an approach to have a material benefit that would promote the long-term consumer interest. We consider this difference critical, and that ongoing evolution of regulatory processes will need to better consider how to integrate consumer preferences and interests, particularly when they may be in apparent conflict. In any case we regard consumer preferences and interests as critical, and that robust engagement should involve a range of platforms to derive and integrate both, with businesses required to make a case for how they have meaningfully integrated them into decision-making.

We have been consistent in ensuring our involvement with Hunter Water's engagement has focussed on the quality and robustness of the engagement itself, rather than our view on the merits of any particular decision. However, in this submission we will present some perspectives on Hunter Water decisions assessing their alignment with consumer and community interest as

we understand it. We will attempt to clearly differentiate this from our perspective or observations of consumer and community preferences derived through Hunter Water's engagement program.

2. Hunter Water's Community Engagement

JEC's intent and approach to assessing engagement

The intent of JEC's assessment of Hunter Water's engagement is to provide an understanding of the degree to which the engagement is able to serve as a robust foundation for Hunter Water's decision-making, and the degree to which we consider Hunter Water's proposal meaningfully reflects the consumer and community values and preferences expressed through the course of engagement.

JEC's approach is to undertake a two-stage assessment of engagement. First, we consider whether the engagement is **capable** of underpinning decision-making, that is whether the engagement is:

- robust;
- good practice;
- uses an appropriate mix of methods and platforms;
- representative; and
- whether the insights gleaned from the engagement processes are genuine and meaningful.

We then make an assessment as to whether consumers preferences from the engagement are reflected in the decisions, including the degree to which engagement is reflected in pricing decisions.

In both of these assessments we consider Hunter Water to have broadly demonstrated both genuine commitment and good practice.

An additional intent of this assessment is to provide recommendations regarding scope for improvement so that in future processes the engagement is more robust, and capable of leading to the 'most meaningful' expression of the community's preferences. In some cases, this is a critique of the current understanding of good practice, based on what JEC has repeatedly observed as failing to deliver meaningful expressions of community preferences. As such it is not necessarily a critique of Hunter Water, or a questioning of their intent and commitment, but instead a series of observations about how that intent can be better delivered in the future.

As a contributor to Hunter Water's CEAP report, the JEC also commends its observations, conclusions and recommendations to IPART.

JEC broadly agrees with Hunter Water's self-assessment

We broadly support Hunter Water's assessment of its proposal and the engagement which underpins it. This is the first process under the new framework. Businesses are understandably at an early stage of maturity in developing the culture and understanding required to consistently demonstrate a high-level of consumer driven, collaborative decision-making. In this context

Hunter Water's genuine commitment and substantial efforts, alongside the good structure and practice can reasonably be regarded as 'Advanced' at this time.

Overall, Hunter Water's methodology and approach was robust and transparent and represents current understanding of good engagement practice. Hunter Water commenced their engagement process early and committed substantial resources, time, effort and good faith to obtain a meaningful direction from consumers and the community to shape important decisions. The process demonstrated authentic listening of participant views and, for the most part, processes were in place to respond to questions, criticisms and where there was confusion. The program demonstrated flexibility and responsiveness to consumer and stakeholder feedback, which helped to go some way to address any potential gaps or weaknesses as they arose.

However, it is important to note that engagement culture and practice is dynamic. In our experience there is a danger that businesses become complacent or fail to continue to develop and evolve their culture and maturity in engagement capacity, understanding and practice. While Hunter Water demonstrated an approach and practice which can be considered Advanced this time, a similar approach in the future should be regarded as 'standard'.

Much of the detailed commentary which followed is presented not as a 'critique' of this proposal and the engagement undertaken in its preparation, but as constructive observation as to where we consider ongoing evolution and development of culture and practice would be valuable (based on the engagement undertaken by Hunter Water).

JEC observations on areas of improvement for engagement

Opportunity for more direct stakeholder involvement in proposal development

While Hunter Water's approach to retain its representative CCAG and add a new expert stakeholder panel (the CEAP) is good practice, there is opportunity to integrate more direct expert stakeholder input into the proposal development process. This would be additional to the role of the CEAP in overseeing the direct community engagement program, which Hunter Waters process broadly did very well.

Any regulated decision-making process (such as that applying to Hunter Water) is required to derive and consider consumer and community needs, interests and preferences. We consider these distinct but overlapping considerations which require a range of methods and mechanisms to assess and integrate into decision-making.

Consumer needs are inviolable factors which must be met. In water these are often set by environmental and health standards and other requirements. While consumer and stakeholder input can 'add to them' and provide guidance as to how these needs can be met, they can't be compromised or traded off.

Consumer and community interests are often enduring values or standards with long-term importance. In water regulation this might include efficiency of investment, cost reflectivity of pricing, methods of long-term risk management, and broad consideration of equity. Consumers expression of their values and priorities can add to what is considered in their interests (particularly where it is consistently expressed), but again the role of consumers here is to express their preferences for how their interests should be met and promoted (rather than

asserting what those interests are). Here expert stakeholders (such as the JEC) have an important role to provide direct input to help understand and shape decisions. It is important to note that it is possible for the interest of consumers to be in apparent conflict with their preferences. Here the task is to consider how to resolve this tension. For instance, consumer preference for 'control' through usage-based pricing, may be moderated or qualified by the broader community interest for pricing to remain sustainable and equitable for renters.

Finally, consumer preferences are expressions of the priorities, values and preferences of the community. These are not only expressions of values or priorities beyond or outside those recognised as needs or interests, but also directions as to how decisions relating to needs or interests should be shaped and implemented. We refer to these as questions of how and why a certain approach to a decision should be taken, rather than simply what decision should be made. For instance, while it is in the interests of consumers for pricing to be efficient and cost reflective, it is their preference for pricing to be postage-stamp, for it to be as stable as possible, and for it to support conservation and consumer control of costs. Consumers and community are the only ones who can assert their values and preferences, and this is the primary purpose of direct engagement with the community.

Hunter Water's engagement program demonstrated good robust direct engagement on consumer preferences, which the CEAP helped to shape and oversee. However, there were limited opportunities for community stakeholders to engage directly with Hunter Water decisions and provide input on how Hunter Water could best promote the interests of its community. Future processes should consider opportunities to augment this.

Online delivery platform less preferable than in-person

JEC retains concerns about the use of online platforms used for more deliberative aspects of Hunter Water's engagement. While, in our experience, the online engagement was of a high standard relative to any other we have observed, we see material qualitative differences between in-person and online delivery of deliberative engagement process. In our observations, the level of engagement and inclusion of all voices and opinions is significantly more effective when undertaken in person. For example, participant disengagement with the tasks (and more importantly with each other), and conversations going off topic, can much more easily be detected and addressed in person. The online format requires a different approach to ensure people use the time for exercises, stay on track and make the most useful contribution possible.

While we understand online formats can contribute to greater inclusion, particularly where they help geographically diverse communities engage more than may otherwise be possible, we are not convinced they can be regarded as equivalent platforms for deep deliberative engagement.

Diversity of participants

JEC and other CEAP members regard the small size of the community panel used for the deliberative process, and its lack of diversity as a concern. While comprehensive demographic representation is not necessary, it is important for all relevant 'life experiences' and community cohorts to be meaningfully engaged. The lack of cultural diversity and age diversity was noted by participants themselves, and there is a question as to whether renters (particularly young renters) were represented sufficiently to ensure their important perspectives appropriately shaped decision-making processes.

The positive aspect of this is that the group identified the issue themselves and had a good grounding and understanding of their role in representing the community and thinking on behalf of the community, not simply themselves. JEC did observe that generally, a diversity of views and values was demonstrated by participants. As noted in the CEAP Attestation Report, ensuring a diversity of views and values (beyond just demographic markers) could be better achieved by pre-testing for this.

Further, Hunter Water was cognisant of the lack of demographic diversity and undertook focus groups with people on low incomes, First Nations people and large families to ensure their voices were included in the engagement process. JEC did not observe these focus groups so can't make comment on the effectiveness of this engagement.

Narrowing of scope based on surveys

Using surveys to narrow areas of 'interest and concern' can be part of good practice but can also introduce some risk. This approach relies on people responding to surveys to make a meaningful assessment of what is most important, material and significant on the basis of what they are interested in and think important. Given the unfamiliar nature of the content, the prevalence of misconceptions about water businesses and services, and that people often don't know what they don't know and often inaccurately identify the most material issues or areas for impact in decision-making, it is possible the topic selection did not identify the most material areas for community influence.

In future any use of consumer interest testing through surveys should be integrated with focus areas identified by stakeholders (such as the JEC and the CEAP). This is also an area where evolution of Hunter Waters' own culture should result in it being more mature in identifying areas of its decision-making where consumers could materially influence outcomes regardless of whether consumers independently identify them as most interesting or important.

Reliance on written material

There was a generally a high reliance on written material. Noting that the rate of functional illiteracy can be as high as 40% in the community, heavy reliance on detailed comprehension, analysis and capacity building from written material (particularly in short timeframes) can be problematic. JEC's observation is that many people struggle with the critical analysis required to examine and understand complex new material (as they are required to do in water regulation) and relate it to consistent evaluation and decision-making criteria (preferences). Asking people to do this on the basis of written material they may not have fully absorbed, comprehended, or even had time to read, can introduce structural weakness to engagement processes. For example, whilst the observed engagement and processes undertaken were robust, where engagement was based on pre-reading, JEC noted comments from participants to the affect that: "24 hours isn't enough and I feel like we are just scratching the surface" and "I don't feel like I could say I have been genuinely consulted on the basis of the preparation I've had," indicating that reliance on pre-reading may have impacted the effectiveness of the engagement. While we understand written material is necessary, particularly in relation to more complex and deliberative processes, future engagement should be designed with lower expectations, greater timeframes and more alternatives to help mitigate any potential impacts.

Diversity and role of presenters

In general, Hunter Water presenters were extremely competent, committed and balanced, with much effort made to respond to CEAP input on the structure and approach to the material. However, it is important to consider that the person who presents issues might not necessarily be the technical expert, but the person who is best able to present the issue in the right frame, present the key questions and considerations for this process, and answer in a way that helps people build their understanding and narrow their thinking towards the relevant areas of decision making.

Feedback from JEC and other CEAP members for the need to hear from presenters who weren't Hunter Water was heeded to some extent and external presenters were included in subsequent deliberative engagement sessions. The benefit of hearing from parties external to Hunter Water was to bring alternative views on topics and should have also enabled participants to improve their ability to approach consideration of topics, including how to understand issues using their own values. For example, the process of having small group discussions with an 'expert' to answer questions etc was a good framework, noting its value depended very heavily on the approach of the experts.

However, 'guest contributors' needed to have more consistent and structured direction about what they are trying to achieve, how to present useful frameworks for questions and discussion. The lack of unprompted questions and the undirected nature of them indicated that participants didn't know what they didn't know and, without some framework to think about the issues and information they are presented with, struggled to come up with their own framework to critically interrogate the material, identify relevant issues, and ask key questions. This resulted in focusing on the detail of the *what* rather than the more relevant issues and considerations of principle (the *how* and the *why*) which underpin them. The JEC strongly advocate for properly briefed expert stakeholder involvement throughout engagement processes, particularly more deliberative platforms. This should not be about advocating for a particular decision or approach – but be squarely focussed on providing some guidance on ways to interrogate the information, additional questions they may ask, other ways to look at the questions they have been asked, and other considerations that may not have been raised by the business. The last is particularly important where, even with the best attempt to address biases and fixed perspectives, businesses are not well placed to consider all dimensions of issues and questions that consumers may be presented with – this is particularly true in relation to dimensions of fairness and equity which expert stakeholders are better placed to raise.

Focus required on the purpose of regulation

Introducing principles and concepts that can be consistently returned to throughout the engagement process is integral to successful deliberative processes. Hunter Water's focus on the detail of the process is perhaps less helpful than the type of 'why is the process like this' information and more time could have been devoted to the latter to help ground consumers in the questions being considered.

People struggle most to understand the complex and unfamiliar nature of regulated water businesses (particularly those owned by the government) and benefit most from understanding the purpose of regulation, the reason it is structured the way it is, and why regulatory processes and pricing are undertaken the way they are. The lack of time spent building this understanding

was reflected in the ongoing conversations about profits, dividends, wages, costs, etc between participants. While this is usual (the profit/dividend and government issue always occur at this point of deliberative processes) the ability to productively move on from this discussion is determined by people understanding why the structure works the way it does, not simply explaining the detail of the structures.

Focus on questions of ‘why’

The priority for more deliberative engagement should be to focus on and elicit the most meaningful expression of people’s preferences on how Hunter Water should make decisions and why it should make them according to these values and preferences.

As is often the case at this point in engagement maturity, there was often a focus on what decisions should be made (which end up very narrowly about how much should Hunter Water should spend). The most prominent exception was engagement on the question of hot spots. While it commenced very focussed on technical detail, in its latter stages there was good progress to talk more about underlying issues (such as fairness, why people end up as hotspots, how the system allows for it to occur and why, etc). Focusing on how and why resulted in a direction regarding a framework for Hunter Water decisions which could then be tested to ensure it met the community expectation. There was then able to be a practical second stage discussion about how much of that response the community is willing to pay for.

We regard this aspect of the deliberative engagement process as an exemplar to guide future engagement – particularly where the process is able to derive enduring values and principles which can be drawn on for other decisions. For instance – a community value to address the worst impacted consumers first (rather than prioritise the cheapest, or the most efficient response) is a value which can be tested for its relevance to Hunter Water decision making more broadly.

Water conservation and equipping participants to form considered opinions

In general, there was insufficient context provided to explain the purpose of the conservation sessions and that the purpose was not to develop specific recommendations for Hunter Water to implement, rather to make recommendations for **how** Hunter Water should make conservation decisions, how it should prioritise activities and why this prioritisation should occur. As noted above – this was an area where development of a framework of values and priorities for decision-making would have been much more meaningful. Instead, a lot of effort and time was wasted talking about specific solutions, most of which were well outside scope.

Water conservation presentations were not as balanced or fulsome as they could have been. It was clear that people didn’t have a clear idea of what questions to ask to aid their understanding of the issues under consideration and that subsequent discussions also indicated they did not have a clear framework or understanding to address the questions being asked of them. For example, the relative benefits or otherwise (and the considerations required) of smart meters was not presented robustly enough to be confident that the participants could make informed or considered opinions regarding their use. ‘Outside voices’ included were more focussed on advocating for their particular preferences, than assisting consumers to understand how to form their own. As we have noted earlier, stakeholders have a role in this aspect of engagement but

must be restricted to aiding consumer understanding and consideration, not advocating for preferred outcomes.

Considering topic areas collectively

Consideration of topics as disaggregated issues does not provide as meaningful a basis for community decision-making as processes which establish a set of consistent community principles of trade-off (dials) that can be applied to a range of decision areas for Hunter Water and set at different levels according to the issue. For example, it could have been preferable for Hunter Water to consider conservation and 'hotspots' together, given that there are a number of conceptual framings and principles relevant to both that would have helped discussion and consideration be more meaningful. These include issues of individual cost/benefit vs collective cost/benefit; depth of impact vs breadth of impact; action by individual vs action by community/Hunter Water; individual/community action vs cost to Hunter Water/all etc. Having established this would then have enabled a conversation on where the individual cost/impact vs collective cost dial should be set for hotspots and might be very different from where it is set for conservation. Instead, the process as it was conducted treated these topics as completely separate by running hotspots and carbon reduction together instead.

We don't consider this as a material qualifier to the results of the engagement – but do consider this a relevant consideration in the ongoing development of Hunter Waters engagement maturity.

Concerns over 'other voices' session

The final session of the deliberative community process on 'other voices' was the most problematic in JEC's observation and repeats a structural error and weakness in this model of deliberation – that of 'self-generated' assessment criteria and questions.

In JEC's experience people generally find it difficult to identify important/useful 'other voices' to hear in the discussion. They do not know the issues well enough, do not understand who is significant in considering the issues, who has knowledge and who may have an important or different perspective which can assist their deliberation. As a result, they most often come up with a range of largely irrelevant nominations (local MPs) who would have little to add and are likely only to take up valuable time or potentially confuse issues.

As we have noted, where there is a process to ask participants about additional voices, it must be assisted or follow a process where other important perspectives or voices are provided and/or there is an explanation of who engages in these processes and why. For instance, JEC as the only consumer and community advocate in water should automatically be included. Explaining why other voices are being added and what they are intended to provide participants with can then help participants with a frame of reference for thinking about any additional voices they may think useful.

Without this, we regard this exercise as often actively counter-productive and likely to lead to interventions which make the process less robust – as we noted in relation to water conservation. At the very least, if the list of people suggested by participants are included there must be a very robust brief given to them regarding what their role is, what perspective they are adding and why – it cannot be presentation of 'answers' or solutions they prefer – but must be a presentation of considerations on other ways to think about issues, other important considerations in thinking

about issues and other questions consumers may use to build their understanding and come to a conclusion.

Concerns on pricing demonstrate its ongoing importance

Whilst the process consistently demonstrated authentic listening to participant views, and genuine processes to respond to these, we observed consistent comments and questions from participants around the large range of issues which are 'off limits' – in particular pricing. Most of the deliberative process continued before it was made clear that Hunter Water would address the question of pricing in an additional online consultation process.

While the JEC commend Hunter Water for their flexibility in responding to this feedback and their commitment to introduce a new process to address it, we regard the community questions on this topic (and our own) as justification for pricing always being regarded as a priority area that should be addressed through deliberative engagement processes. Pricing is the most tangible question with a direct impact on consumers, and one in which consumer values and preferences are both relevant and material in shaping outcomes.

The engagement undertaken by Hunter Water on pricing was well structured considering the time and platform limitations, but was not as robust as it should be and was materially inferior to a deep deliberative process which should have been adopted for this crucial question. Hunter Water recognised the limitations of the engagement it undertook and has sought to reflect this in its resulting decisions, an approach we strongly support. We recommend future processes assume deeper and more structured engagement on questions of pricing.

3. Cost of living and water affordability

Hunter Water's pricing proposal comes at a time of ongoing financial strain on households. JEC's [Powerless](#) research into debt and disconnection/restriction of energy and water services reveals that more than any other time we have undertaken this research since 2004, utility affordability issues are expanding to impact higher income groups. The pressure on lower income households remains most severe, particularly for those with little option to access more affordable housing (such as renters). These cohorts are at a high risk of being pushed into homelessness when water bills and other expenses leads to difficulty in paying rent.

Cost of living impacts - how IPART should approach their analysis

A recent NSW survey of people on low incomes¹ provides further evidence of the pressures facing NSW households, with 50% of respondents reporting they could not pay utility bills on time. 74% of respondents reported going without health and wellbeing essentials. For some people this included taking drastic measures like not eating dinner 4-5 nights a week, not having visitors or going out with friends, and going without food or medicine to afford their bills. The impact of affordability issues on essentials which support health and wellbeing are consistently evidenced across the JEC's *Powerless* report,² in the ACOSS Raise the Rate Survey 2024³ and

¹ NSW Council of Social Service (NCOSS), 2024, [Impossible choices: Decisions NSW communities shouldn't have to make](#).

² The Justice and Equity Centre, 2024, [Powerless: Debt and Disconnection](#), pp. 47-49.

³ ACOSS, 2024, [Raise the Rate Survey 2024](#)

in the ACOSS Summer Heat Survey 2024.⁴ Increasingly this is also driving people to resort to non-traditional credit products such as Buy Now Pay Later and payday loans to pay for utility bills, further increasing their costs⁵⁶ and raising risks to financial security. Complaints to the Energy and Water Ombudsman NSW (EWON) about water are up over 20% from last year, with the top cause for complaint being about high water bills.⁷ This consistent evidence of consumer harm must be taken into consideration when reviewing Hunter Water's 25-30 Pricing Proposal, particularly in relation to assessments of the affordability of pricing increases, the structure of pricing increases and the adequacy of affordability supports.

The JEC is concerned that water bills and issues of affordability be considered in their larger context, rather than assessed in isolation. For instance, average bills (and the proportion of average income they may represent) are often used to consider the relative affordability of Hunter Water Bills in relation to other comparable water utilities. This often results in an assessment that Hunter Water bills are relatively low, and by extension relatively affordable. This does not recognise that water bills, energy bills and the cost of rent or mortgage collectively constitute the essential (and unavoidable) costs of housing.

Where households are already facing material increases in energy, rent or mortgage costs, there is much less scope to deal with any change in the costs of essential water services. For instance, while Hunter and Sydney Water may compare relatively well on average bills, this does not recognise that NSW has some of the least affordable housing in the country, with many households paying in excess of 30-60% of their disposable income on rent or mortgage costs, while also experiencing high energy costs. We recommend IPART consider water bill affordability in this wider context, rather than only assessing them relative to water bill benchmarks.

Approach to sharing the costs of providing water services now and into the future

This series of pricing proposals from Hunter and Sydney Water include substantial increases in investment, with much of it relating the growth and related improvements to water service resilience. The JEC consider it timely to consider whether it is reasonable or sustainable for all of these costs to be fully recovered through consumer bills.

There are other areas of service provision (such as rail transport or toll-roads) which undertake investment and service-cost recovery differently. For instance, urban rail fares are not required to fully recover the cost of future growth investment in current fares. Train fares do not increase in advance of the construction of new lines. Similarly, toll-roads are constructed in advance of setting the terms of their cost recovery from consumers.

We consider it necessary to assess options to defray the impact of investment step changes on water bills. This could include separating investment relating to growth from costs recovered directly (and immediately) from consumers. Investments, such as the Belmont desalination plant, and substantial network augmentation to accommodate growth while improving service resilience, could be regarded as direct NSW Government budget expenditure and either not

⁴ ACOSS, 2024 [ACOSS Summer Heat Survey 2024](#)

⁵ The Justice and Equity Centre, 2024, [Powerless: Debt and Disconnection](#), pp. 49-50.

⁶ NSW Council of Social Service (NCOSS), 2024, [Impossible choices: Decisions NSW communities shouldn't have to make](#), pp.46-49

⁷ Energy and Water Ombudsman, 2024, [EWON Insights Report: July to Sept 2024](#).

recovered directly from consumer bills, or not added to costs recovered from consumers until growth occurs. IPART should consider all possibilities, including altering approaches to depreciation for some investments, to extend recovery timeframes and defray inequitable impacts on current household consumers while still facilitating necessary investment.

Reform to ensure accessible and consistent assistance and support

The JEC strongly recommend a more consistent approach to requiring and providing water payment assistance and Government rebates for water services. Robust payment assistance measures and consistently accessible Government rebate support are critical measures to support essential service access and affordability and protect households from water poverty.

JEC's research into debt and disconnection/restriction of energy and water services found that of the survey respondents – all of whom were experiencing energy and/or water poverty - only 12% were accessing energy and/or water rebates and only 4% accessed emergency assistance (Energy Accounts Payment Assistance or Payment Assistance Scheme). This demonstrates substantial scope to improve eligibility and access to these assistance measures. For those who already accessed the supports, they were not enough to avoid the payment difficulty. JEC advocates for rebates to be a percentage of the bill to help improve the affordability of large households.

Whilst compared to many other regional water providers in NSW, Hunter Water's supports are relatively accessible and helpful, all NSW households should have access to consistent, effective water bill assistance and supports, including rebates, crisis assistance, 'hardship' programs and other assistance to improve water efficiency to minimise payment difficulty. JEC recommends regulatory reform including:

- Creation of a consistent framework of water payment assistance and hardship policy requirements for all retail water service providers to households. We highlight the framework for energy protections and retail assistance requirements as a relevant example.
- Ensuring consistent and transparent reporting of key consumer outcome data by all providers of retail water services to NSW households, with this including reporting on consumer debt, restriction, payment assistance and hardship.
- Ensuring consistent and expanded access to Government rebates supporting water affordability for all NSW households. The NSW Government approach to energy rebates should be drawn on as an example.

Hunter Water's approach to debt and restriction

JEC commends Hunter Water from moving from a 'collections' approach to debt and late payments to a 'customer assistance' approach. As we understand it, Hunter Water commits considerable resources to identify payment difficulty and offer assistance, including partnering with local community organisations to provide wider supports.

We encourage Hunter Water to continue to evolve this approach and move away from processes founded on distinctions between households who 'can't pay' and households who 'won't pay'. In JEC's experience, there are very few households who simply choose not to pay, and processes

designed to identify them in advance of assistance provision, result in those in need missing out on assistance.

JEC supports Hunter Water undertaking home visits to households in debt who are not seen as 'engaging' sufficiently with them. Hunter Water has previously informed JEC that the personal approach during door knocks is considered crucial in understanding their consumers' circumstances, providing information, and offering support. JEC supports the provision of material enabling people to start paying minimum amounts towards their debt without direct communication with Hunter Water, where that is preferred. JEC encourages home visits as an opportunity for Hunter Water to help the householder access wider supports available to households in need (including energy bills supports, crisis support, food assistance, counselling and other services that may be relevant), and to consider where it is not appropriate to seek payments. Given this program, we encourage Hunter Water to limit debt collection practices and avoid selling debt or contracting debt-collection services. Restrictions, threats of restriction and legal action should be avoided, or only pursued when it has been clearly demonstrated the household is not experiencing any vulnerability.

Given the proposed increases in water prices, Hunter Water is likely to see more need for assistance from their customers and we encourage them to be proactive about offering available assistance. Although Hunter Water provides assistance that is beyond the minimum in their Customer Contract, we encourage IPART to ensure that this higher level of assistance is maintained by strengthening minimum assistance measures required by Hunter Water next time their Customer Contract is reviewed.

Long term affordability assistance

Payment assistance measures, including those provided by Hunter Water, often assumes that payment difficulty is transitory. Increasingly evidence shows there are many NSW households who experience longer term, permanent and/or more complicated payment difficulty. People in these longer-term circumstances are likely to be left 'cycling' through support programs (where they can access them) with significant debts and payment obligations, as well as the associated stress and compounding impacts which result. The experience of those with longer term issues needs to inform improvements to better manage risks and ensure better outcomes for people in these circumstances.

JEC recommends the NSW Government consider extending its energy debt relief trial to water to help eliminate the debt of households with long term affordability challenges.

There are also substantial opportunities to aid overall household essential service affordability by combined energy and water programs, and greater co-operation between water utilities and the Government in providing more enduring supports to lower bills. For instance, Hunter Water could support the replacement of gas and inefficient electric water heaters with efficient heat pump hot water heaters – saving on energy and water costs.

The need for transparent and consistent reporting of 'hardship'

Whilst there are limitations, consumer outcomes data is consistently collected in energy, which enables effective outcomes monitoring and development of timely reforms. Information is available and accessible in one place and is accompanied by some analysis by the Australian

Energy Regulator. We encourage the NSW Government (via IPART) to begin to require (from all residential water service providers in NSW), collect, collate and present key customer outcomes and indicators including:

- Water usage by category
- take up of supports – rebates, payment assistance, crisis assistance and other assistance measures;
- numbers of customers in hardship and other assistance programs and details such as their debt on entry, and time in the program;
- levels (and age) of customer debt;
- debt collection activities, including where debt is sold and/or collected by third parties;
- threats of restriction;⁸
- actual restrictions for non-payment, including time off full supply;
- threats of legal action; and
- details of legal actions.

We encourage this information to be presented in a report with commentary regarding performance over time, such as collated and presented by Victoria’s Essential Services Commission’s [Water Performance reporting](#).

4. Hunter Water bills and pricing

To date, water payment difficulty has not been a widespread financial concern for households seeking assistance through financial counsellors or community services. However, with the significant water bill increases that will impact Hunter Water (and Sydney Water and other areas) households, JEC is concerned that water bills will become an additional cause of stress and pressure for households. Much of the ‘costs’ of this will be borne by the households themselves and the community organisations which support them.

Approach to balancing price increases between fixed and usage charges

Hunter Water’s approach to splitting increased charges between fixed and usage charges largely reflects the community’s preference, as articulated in their community engagement activities on pricing. However, as we have noted, the engagement on pricing was not as robust as it could have been. Whilst putting a higher proportion of increased costs on the usage charges gives households some control in managing their bills, it has disproportionate impacts on renters. We recognise that efforts have been made by IPART and Hunter Water to provide better outcomes and protections for tenants. However, a pricing strategy that places the majority of additional costs onto the usage component of bills will disproportionately impact renters and exacerbate existing issues faced by tenants in their access to affordable water services.

Water expenses should only be passed on to tenants when homes meet water efficiency standards, the lack of monitoring and enforcement for private rentals and the power imbalance

⁸ JEC’s *Powerless* research found that receiving a disconnection/restriction threat (notice) can actually be more stressful than actually being disconnected/restricted

which exists between renters and owners/real estate agents means that renters often pay water bills without properties having the required water saving devices.

Renters can often do little to respond to the increased cost of water through water saving strategies and are left only to restrict their usage. This can be difficult to achieve without sacrificing health and wellbeing, particularly for families with children. Further, because of the indirect billing relationship for renters, there is often a considerable lag between when water is used and when it is billed. This can make it difficult to take considered water saving actions (i.e. understand what actions actually result in bill savings) and can lead to high bills where there is a leak (given that identification and remediation of the leak can take some time after development of the leak).

If IPART supports Hunter Water's proposed balance of bill increases between fixed and usage charges, then JEC recommends more consideration be given to targeted water affordability supports for renters, in addition to reforms enabling direct billing of usage charges to tenants, and a more robust direct relationship between water businesses and tenants.

JEC recommends that Hunter and Sydney Water be required to pursue measures to provide information and support to households (particularly tenants) to:

- understand what actions can be taken to save water that don't sacrifice health and well being;
- understand the actual price savings of taking particular actions;
- access supports for households – rather than requiring households to self- advocate for assistance these measures should be provided more proactively; and
- have usage monitored with friendly communications to check in with households who are low users and/or who suddenly reduce their usage.

Minimising the impact of fees and considering who is impacted

JEC welcomes Hunter Water's proposal to reduce fees charged to consumers for declined/dishonoured and late payments. Declined/dishonoured payments and paying late often impact people as a result of their experience of disadvantage and a range of circumstances that are not directly in their control.

The Australian Energy Market Commission is currently conducting consultation to disallow certain fees and charges,⁹ including late fees. This is part of a package of rule changes collaborated on by governments, regulators, industry and consumer stakeholders to improve consumer outcomes in energy.

JEC's *Paying to Pay*¹⁰ research examined whether people experiencing disadvantage pay more as a result of their method of payment. It found that many people on low incomes pay more for their energy bills because of the way they pay and because they cannot otherwise afford to pay the bill in full on time. One service provider explained:

⁹ Australian Energy Market Commission, 2024, [Removing fees and charges](#)

¹⁰ Some aspects of the research included in this submission are unpublished, but further details can be provided by JEC. The research methodology can be found [here](#).

The late fees and the missed direct debit and then the fees in the bank account because they've missed the payment, all those things mean the cost... you can sit here and say, "the electricity only cost \$X". Fact is, plus for Defer-It,¹¹ plus the missed direct debit, plus the late fee, plus the paper statement fee. What's the real cost? The real cost is if you are of lower income, if you are lower financial literacy and lower literacy, you will have the disadvantage surcharge. – Financial Counsellor, NSW

The research provided some insight into the true cost of late fees on the people who can least afford them:

"There are late fees. You know, every time you get your bill there's a late fee of \$12 or \$15... it's just goes up and up." – Financial Counsellor, WA

Unfortunately for some people experiencing payment difficulty, these fees are part of their expected payment process:

"Late payments, yes. I think, from a lot of conversations we have, people expect that it is a part of their payment process. Some people are on products, such as bill smoothing, or they are doing direct debits and they do get caught by the 'pay on time discounts.' But usually, they'll end up with some sort of fee, either non-payment or late payment, and are expecting that's part of their billing cycle." – Financial Counsellor, SA

People who have difficulty paying their bills on time often do not understand or have access to internet billing. They often cannot make quarterly repayments by direct debit due to a lack of savings/cashflow or need to defer some bills while paying off other essentials. These people are likely to get charged late fees, dishonour fees, additional fees and/or interest accruing on amounts owing (if using a credit card).

Declined/dishonour fees and late fees make a material and detrimental difference in the lives of people on low incomes where every dollar (and cent) counts. For the people in the JEC's research, paying late is not a matter of forgetting to pay a bill, but is due to juggling competing necessities, including food.

The research also found that at least 9% of consumer respondents had been charged multiple fees on a bill. This included fees for the method of payment, fees for the way they received their bill, late fees or other types of fees. This is likely to be a material under-estimate of the scale of the issue as people have demonstrated that they are often unaware of the fees they are being charged and inaccurate in their assessment of all the fees they are incurring. Hunter Water will need to guard against multiple fees being placed on bills, for example, late fees should not be added to bills which have already had dishonoured or declined payments.

Declined/dishonoured fees and late payments disproportionately impact households on low incomes both in terms of frequency and quantum. Fees should not be designed to punish households on low incomes, or set at rates that encourage people to access Buy Now Pay Later and other credit products as a preference to paying an essential service late. JEC recommends that a grace period be implemented to give households missing payment deadlines another

¹¹ Defer-It is a Buy Now Pay Later credit product.

chance to pay, without penalty. Considering the relatively small total cost impact on Hunter Water, relative to the large impact on the consumers (more likely low-income households) affected, the JEC recommends that fees be minimised to the greatest degree possible.

Wastewater pricing

JEC notes that through the community engagement process, the Hunter community wanted to make changes in the way that wastewater charges are calculated, moving towards a cost reflective model and away from flat rate charging. JEC sees pros and cons with both calculation methods. Although there was some expressed preference for pricing to be more cost reflective, given the costs involved in changing the methodology and the previous work Hunter Water has undertaken to develop the current methodology, JEC consider that it is reasonable that Hunter Water propose to retain their flat rate pricing methodology at this stage.

Drought pricing

The JEC does not support the current approach to pricing which recovers additional costs during periods of drought. While this is characterized as ‘drought pricing’, it should be more accurately referred to as ‘drought cost recovery’ given its key purpose is to recover extra costs incurred during restrictions and make up for lower usage resulting from them. As we detailed during the previous pricing review process¹² we do not regard this as a fair or effective way to encourage water conservation and it was not meaningfully tested with the community. We strongly recommend more enduring and comprehensible pricing structures, such as inclining block tariffs, as a more appropriate means of supporting conservation and balancing these signals with equity and affordability considerations

The current determination must recognize the long-term trends in climate change and implement structures and practices to help deal with the uncertainty of future water resources. Water can no longer be considered an abundant resource, where cost is related only to the infrastructure required to transport it. The finite nature of water resources has implications for the value (and cost) of water, where not all ‘units’ of water are of equal value. This is particularly important where signals for conservation must be appropriately balanced with support for affordability. In this context it is reasonable to price less flexible, essential usage, differently from usage that may be more discretionary.

JEC recommends that IPART consider an Inclining Block Tariff structure (IBT) as part of an approach that recognises water as a finite resource with increasingly uncertain access, particularly when combined with rapid population growth and a need to invest in water resource resilience. JEC notes that most urban water utilities in Australia operate with an inclining block tariff structure. In summary, we consider an IBT:

- Clearly and transparently aligns water pricing structures with business and community messaging regarding conservation and efficiency.
- Recognizes that not all water usage has the same value and that fixed, essential needs should be priced to support equity and affordability, while usage that may be more flexible

¹² The Justice and Equity Centre (formally PIAC), 2019, [Submission to Sydney Water 2020 Pricing Proposal](#), pp.2-3 and The Justice and Equity Centre, 2020, [Submission to Hunter Water 2020 Pricing Proposal](#), pp.1-2

is priced to encourage conservation and efficiency and recover the cost of significant investments required to ensure resource resilience.

- Responds to consumer preferences that pricing be weighted towards usage and maximises a household's ability to reduce its bills by improving the efficiency of usage that is more discretionary.
- Recognises that at higher levels of usage and units of water have a higher cost, related to the increasing impact of usage on finite water resources.
- Creates a simple, transparent framework that can incorporate signals of long-term costs, as well as responses to shorter term variations, such as extreme drought conditions. In the context of uncertainty regarding climate change impacts occurring concurrently with rapid growth, such flexibility is crucial.
- Recognises that scarcity is a long-term issue that needs to be signalled on a permanent basis, not only in times of extreme conditions where the ability to respond effectively is limited (because by the time scarcity has increased cost, there is limited scope for price elasticity of demand to make any meaningful impact).
- Provides a pricing framework that can be better integrated with pricing for waste and recycled water services, so as to better enable their efficient implementation. This is crucial as currently wastewater re-use and recycled water schemes are often not able to demonstrate an economic case.
- Can mitigate the impact of price increases related to increased investment, by ensuring not all usage is equally exposed to higher costs.

5. Hunter Water expenditure

Hunter Water requires significant expenditure in infrastructure, which will result in substantial bill increases across this and subsequent pricing periods. This need for infrastructure is mirrored across the state for water (and energy) utilities, including Local Water Utilities¹³. As we have noted in this submission, and our submission to the review of Local Water Utility funding, there is a need to consider alternative means to ensure timely investment in water infrastructure, while protecting equity and affordability in water service provision for NSW households.

Belmont desalination plant

Given the Belmont desalination plant is one third of Hunter Waters proposed capital expenditure, we consider it appropriate to consider alternative measures to recover the related costs, including taking it off bills altogether, or exploring other arrangements to defray the cost, or delay cost recovery. Taking an approach where these costs are shared with the NSW Government would be consistent with community expectations JEC has observed throughout community engagement undertaken by both Sydney and Hunter Water. Specifically, community questions as to why

¹³ The Justice and Equity Centre, 2024, [Submission to the Review of Local Water Utilities Funding Models](#)

growth and augmentation costs resulting from Government policy are recovered directly from bills and not general Government revenue.

JEC commends the work Hunter Water undertook to assess its capital expenditure and, in recognition of the community priority for affordability, seek further opportunities to defer and re-prioritise expenditure. Hunter Water listened to affordability concerns expressed through its community engagement process and managed to decrease initial bill increases from 10% to 5.7% (on average), by decreasing capex from \$2.1bn to \$1.55bn.

However, valid concern for affordability should not unreasonably delay necessary expenditure or increase risks to the community and environment. Much of Hunter Water's cost savings involve deferring works to the next pricing period. JEC will be looking to ensure that this approach has not unreasonably increased risks of asset failure, failure of environmental/health standards and whether this approach simply 'kicks the problem' to the next period. This is particularly relevant considering it is unlikely consumers will be materially more capable of affording large increases in the next period given the long-term environment in energy, water and housing affordability. We commend the consideration of alternative ways to address affordability as an important measure to ensure efficient investment is undertaken when it is most prudent in supporting the long-term interests of the NSW community.

6. Continued engagement

The JEC welcomes the opportunity to meet with the Department, IPART and other stakeholders to discuss these issues in more depth. In particular, we are able to provide more detail on observation of engagement on particular topics as is useful.