



2025 Hunter Water price review

Public Hearing Transcript

November 2024

Water >>

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair
Dr Darryl Biggar
Jonathan Coppel
Sharon Henrick

Enquiries regarding this document should be directed to the Water pricing team:

water@ipart.nsw.gov.au

(02) 9290 8400

The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

Contents

Welcome and introduction	1
Session 1 – Hunter Water presentation	4
Comments and questions	8
Session 2 – IPART presentation	18
Comments and questions	21
Closing remarks and next steps	25

Welcome and introduction

Andrew Nicholls (IPART): Well good afternoon, everyone. We might make a start. Welcome to today's public hearing of IPART's review of Hunter Water's prices to apply from the 1st of July 2025 and today we'll be discussing Hunter Water's pricing proposal. It's great to have so many of you joining us today.

My name is Andrew Nicholls, and I'm the CEO of the Independent Pricing and Regulatory Tribunal or IPART. I'll be managing the public hearing today, and before we get things underway, I'll just start with a little bit of housekeeping. If you could keep your microphone muted. That would be great, when you're not speaking, just to avoid feedback and background noise and allowing those who are speaking the opportunity to speak uninterrupted.

If your Internet connection is up to it, and you're comfortable doing so, please put your camera on. It just helps us all connect given that we're all meeting online. And if you could put your name and where applicable your organisation, could you do so as well just so that we know when we come to questions and comments, who is speaking helps us manage and make sure that each of you get a chance to raise the points that you'd like to raise. So, if you could drop your name in there, and there's instructions in the chat box on how to do that. To help with accessibility we have turned on Zoom captions, and we've also dropped a message into the chat on how to turn these on if you'd find that helpful.

Now, just so, you're aware, to ensure we have an accurate record of the discussion today the hearing is being recorded. The recording will be available on YouTube until the end of this review, and we'll also publish a transcript of this hearing on our website along with the presentation slides and the agenda. Now, this is to allow stakeholders who can't join us to find out about the important issues that we're going to discuss today and being a public hearing the media and anyone present here today are free to publish and refer to what is said during this hearing.

I'll also briefly go through how we plan to run our discussions today. We want to encourage a meaningful and productive discussion, and we're really interested in hearing from as many people as possible who are who are attending and participating today. We'll provide opportunities to speak at a couple of different times during the hearing but also, I'd encourage you to drop any questions or comments that you might have into the chat box, and we will aim to come to those as soon as we possibly can.

It is our responsibility to ensure that we have a safe and respectful environment where everybody feels comfortable to speak and feel safe to share their views. We invite everyone present to share their views freely, but we also ask that we're respectful of each other's time in the length of your comments, but also in the way that we convey them, and being respectful that other people might have different views. Please allow time for others to have their say.

And so, I would ask that you remain patient and respectful while we're waiting for others to finish their comments or their questions. In that vein, I would ask that there are no interruptions when somebody is speaking, but I would ask that everybody's respectful of time, and to make their points succinctly.

Now, as I say, I will do my very, very best to get to each and every one of you today. If we're not able to get to you, or particularly if there are lots of comments in the chat box, we will take note of all of the questions and comments, they will all contribute to this hearing, and we will respond to you after the public hearing. So please do drop in those questions or comments into the chat.

Now we have invited stakeholders including customers to this hearing today, and we're keen to hear the views from all stakeholders on Hunter Water's pricing proposal, which is the focus for today. Now we do though understand that customers may want to raise specific issues that we would not be able to address at this hearing or issues that might be beyond the scope of the review. For example, if you have a specific issue related to your water, wastewater or stormwater bill that requires Hunter Water's attention. I'd encourage you to contact Hunter Water directly.

Now, turning to the agenda for today we'll begin with a brief overview of our review process. We'll then hear from Hunter Water on its proposal, and then have a short period for comments or questions on what you've heard in the proposal. After a short break at around 3 o'clock you'll then hear from IPART about aspects of the proposal that we're looking at and that will be followed by a longer open floor session for all of your comments and questions. To kick off the process today, I'll now hand over to Tribunal Chair Carmel Donnelly, who will start the hearing.

Carmel Donnelly (IPART): Thank you, Andrew, and good afternoon, everybody. As Andrew said, my name is Carmel Donnelly. I'm the Chair of the Independent Pricing and Regulatory Tribunal known as IPART for short and joining me today are fellow Tribunal members, Jonathan Coppel, Sharon Henrick, and Daryl Biggar and we're also assisted today by a number of people from the IPART Secretariat, including Fiona Towers, Scott Chapman, Eva McBride, and some others.

I'd like to start by acknowledging the traditional custodians of the lands from where each of us are joining today, and I'm joining you from our beautiful Yuan Country on the South Coast of NSW. I pay my respects and extend our respect to Elders, past and present, and extend that respect to Aboriginal and Torres Strait Islander people who are joining us today. I like to particularly acknowledge the traditional custodians of the lands we now call the Hunter Region, and particularly recognise the ongoing connection that Aboriginal peoples have to the lands and waters of this area that we're discussing today served by Hunter Water.

Now, I would very much like to welcome you and thank you for making the time to participate with us today in this important review. Public hearings are an opportunity for people to participate in the consultation and I think it's particularly important to have an opportunity for people who may not get the time or be able to put in a written submission. So, we will be listening today and taking into account everything that's said, and we regard it as a very important opportunity to hear from people who may be short on time, and just want to let us know what the issues are from their perspective.

We are going to be consulting at other times through this review, but this early discussion is going to assist us to know what to look at as we are just kicking off on our analysis and assessment for this review.

So today is an opportunity for you to have your say and the people who are here from IPART are very much here to listen and I'll just say a few opening remarks about the review process that will help set the scene for you before we hear from Hunter Water. So, if I go to the next slide and I'll just talk about our water review process and possibly onto the next slide, too. Thank you.

So, we're setting the prices, the maximum prices that Hunter Water can charge for water, wastewater, stormwater, and other water related services and these will be the charges that come into effect from 1 July 2025. So next year for the following 5 years, and we last set Hunter Waters prices in 2020.

Hunter Water has submitted a detailed proposal to us, and we've published that on our website seeking feedback from customers and stakeholders to just say, at the outset, we know that safe, reliable affordable water and wastewater services are things that people can't do without, and our role is to, independently as a Tribunal review and set the maximum prices that reflect the efficient cost of providing those safe and reliable water services.

We will, in doing this, be consulting quite a lot with the public. We will be, IPART will be carrying out detailed research and analysis, and we're also going to engage some independent experts for advice as well. The sorts of things that we consider in assessing Hunter Water's proposed prices include a number of matters that we're required to look at under the legislation, including the efficiency of the proposed budget and prices. Also, whether customers are being protected from abuses of monopoly power, and that really reflects the fact that there's not choice, necessarily, for who people can choose to get their water services from.

We will also look at the impact of Hunter Water's, prices on the quality and reliability and safety standards that are required, and whether or not the approach proposed by Hunter Water promotes environmentally sustainable development, and also the impact on the economy.

We have some particular requirements that we will be considering in response to a letter that was sent from the Premier and that includes the social impacts of these prices and cost of living impacts, the effectiveness of rebates. So, we'll be looking at that, and whether there are opportunities to look at changing project timelines, or the deliverability of capital plans.

So, to assist us in considering these matters, we have a framework that we use to assess water prices. And, as you can see on the slide there, it's around a number of factors around customers, around the costs and around the credibility of the water business, such as Hunter to deliver on what it's proposing.

I will just say that at the same time as publishing Hunter Water's proposal, we also published an Issues Paper that's a short version to help guide you through what's proposed by Hunter Water that would assist you if you're looking to make a submission. And we outline this framework also in that Issues Paper.

So, the purpose of today, I might just move us on to what we're going to be wanting to get out of today. We want you to have every opportunity to put your views to us and ask questions and let us know what matters to you. We're very much here to listen and hear what we need to take into account in our work of assessing the proposal. So, thank you again for joining us. I look forward to hearing from you all, and I'll hand back to Andrew.

Andrew Nicholls (IPART): Great. Thank you, Carmel. Well, we'll move now to our 1st session today, which is starting with a presentation by Hunter Water on its pricing proposal. We've allocated around 20 minutes for the presentation, and then, after that, we'll open the floor for any questions or discussion about the proposal. I will now hand you to Darren Cleary, the managing director of Hunter Water, who will walk us through their proposal.

Session 1 – Hunter Water presentation

Darren Cleary (Hunter Water): Thank you, Andrew, and thank you everybody for attending the hearing today. Can I have the next slide, please?

I'd also just briefly like to acknowledge the Traditional Country on which we're meeting today. And in particular, the countries on which Hunter Water operates, the Awabakul, Darkinjung, Geawegal, Wonnarua, and Worimi peoples and pay my respect to Elders, past, present, and emerging. Next slide, please.

So, Hunter Water operates and provides water and wastewater services over the major urban areas and surrounding townships of the Lower Hunter. So, it services the local government areas of Dungog, Port Stephens, Newcastle, Lake Macquarie, Cessnock, and Maitland, and also provides services to a small portion of Singleton local government area. Next slide, please.

We provide services to around 630,000 people, and our 270,000 properties that are connected to our system. So, 95% of the properties that we service are households and 5% are businesses or industry. However, businesses and industry do make up around 30% of the demand placed upon the water supply systems. So, obviously, there's a large variance in the size of those non-residential customers.

For our residential customers, around just under 70% of homeowners and 28% are renting. And in our area the majority of the properties that we service are freestanding houses, and about 13% of our customers live in apartments, flats, or units.

We also do provide some stormwater services in our region. Now, it's not uniform across the area that we service, but around 75,000 properties predominantly in the Newcastle local government area, but also a small number in the Cessnock and Lake Macquarie local government areas do receive some stormwater services from Hunter Water. Next slide, please.

Hunter Water's Corporate Strategy is around creating a sustainable water future for all. And, in particular, we see our role is to serve the community. That was our enabling legislation recognises that as the purpose for Hunter Water's creation over 130 years ago and one of our key focuses is keeping customers and community at the heart of all we do and the proposal that we've submitted to IPART, we believe certainly reflects that strategic goal. We have done our best to listen to the community's expectations and values and reflect those in the proposal that we've submitted. Next slide, please.

One of the key challenges that we are facing as a region, and one of the key values that our communities expressed is being able to ensure we can manage through drought, and then we have a secure water supply. Because the secure water supply underpins the social and economic fabric of the region in which we operate.

We know that our system is very vulnerable to drought. We currently have 2 major water storages at Chichester and Grahamstown Dam and the Tomago sand beds and these water storages are entirely dependent upon rainfall, and they can empty very, very quickly in drought.

We know that in a severe drought we can go from a normal operating level to a critical operating level, which is about 15% of our total storage in under 3 years. and that is, including bringing in water restrictions progressively and sharing water with the Central Coast. The challenge with this very steep fall and depletion in our water storages is it doesn't provide sufficient time to respond to ensure we don't run out of water.

What we've learned from droughts, not only here, the most recent drought in 2019 and previous droughts we've been through, but droughts across the country, and indeed, across the world, is that having a drought management plan that only relies upon rainfall can create substantial social and economic risk.

We know that it's not only the risk of actually running out of water but having to plan for that eventuality. So, reaching very low water storage levels of 20 or 30% in itself can have major impacts. Currently, we do not have a drought management plan that can ensure we don't get to those very low levels with a viable option to ensure we don't run out of water.

The Belmont Desalination Plant is about addressing this need. It's about ensuring that we have a rainfall independent supply that will reduce that rate of depletion and give us a longer time to respond to drought and last through drought. In developing the plans for the Lower Hunter Water Security Plan, which Belmont is a key part of we engaged extensively with community. And the plan itself does reflect community values.

We are ensuring that we are making the most of what we have by focusing with our community on water conservation, by focusing on being as efficient as we can be in how we run our water distribution system and reducing leaks and working with industry to recycle water. Even with all of these measures we still require an augmentation of our supply, and that's what the Belmont Desalination Plant is aiming to do. Next slide, please.

As I've mentioned, our proposal is underpinned by is an extensive customer engagement strategy. We have a philosophy of continuing to engage and understand what our customers are valuing and feeling. We've built our proposal on engagement that commenced prior to 2018, in areas such as the Lower Hunter Water Security Plan on the performance standards in our current operating license and our engagement with our vulnerable customers and understanding our customers experiences.

When we have formed our proposal, we have based that on a targeted and extensive engagement program where we've used our understandings from our previous engagement as a basis, to then explore expectations and experiences of our community to value and prioritise the various levels of service that we can provide and understand their relative importance to deliberate and trade off. And then we've made sure we go back and can confirm our findings before we put them into our price proposal.

As part of this process, we've touched over 9,000 customers and use that rich data to inform our proposal. And we've done our best to ensure that that proposal does reflect the values that we've heard and the priorities we've heard through the engagement process. Next slide, please.

Based upon that extensive engagement, we have come up with 6 customer outcomes that we believe will create long-term value for our customers, the community and the environment.

We've had a focus on ensuring not only that we are creating value for customers today, but also for our future customers, and have considered intergenerational equity. And made that balance between ensuring we are keeping our bills as affordable and as low as possible today.

Participant: Rubbish.

Darren Cleary (Hunter Water): Without deferring important investments for future customers unnecessarily. Our customer outcomes are high quality services, value for money and affordable and water security while delivering great customer service, being environmentally sustainable and community focused. We will be having a customer panel that has been formed from our deliberative process that will assist us in monitoring our performance against these outcomes and assessing our report card against them, at least on an annual basis, which we will publish. So, we will be holding ourselves accountable for the outcomes that we identify in our proposal. Next slide, please.

We are well aware that our customers and our community is experiencing significant cost of living pressures, and it's a priority to keep bills as low as possible. We know from dealing with our customers that a large proportion are in financial challenges and that are struggling to pay a utility bill. And we are currently providing assistance to around 1,300 of our customers. We have looked carefully at this, and put our proposal in to only put in investment that is absolutely required to ensure we meet the essential services that we provide and reflect the values the customers told us are important. Next slide, please.

To do that, we've prioritised our investment to only spend what is essential. What that means is that as a business, we are taking on more risk in areas where we can monitor and adapt. So, there are a number of things where events may occur, and we may have to respond to those and invest. But we're not asking our customers to pay for that at this point in time. We've taken that risk on, and we will manage that through the price proposal. We've also included an ambitious cost efficiency target in our proposal to keep bills as low as possible. Next slide, please.

If you look at our capital expenditure that's proposed for the next 5 years, what we are preparing, sorry, proposing to spend on meeting the basic needs of renewing ageing assets, servicing growth and meeting our existing regulatory requirements is very similar to what we've spent in the last 5 years. We are also proposing an increase in investment to fund the Belmont Desalination Plant. What we are seeing in our business is that the cost, the inflationary pressures that are being experienced across the community and across the economy are being experienced by us as well. So, it is costing us more to deliver the same service that we deliver today. Next slide, please.

The operating expense that we're proposing reflects these cost pressures. And we've included an ambitious efficiency target in our operating costs to try and keep those costs as low as possible. What we know from our benchmarking is that we are a relatively low-cost provider, and we aim to stay in that bottom quartile in terms of our bills and our operating cost per property. Next slide, please.

The investment that we are proposing in the next price proposal does see an increase in investment, particularly in the water service that we provide. Given that what we are proposing is an increase in the water usage charge over the period. So, the majority of the increase in investment that we are seeking to fund would be reflected in that water usage charge. and the reason that we've proposed that is, that our community have told us that they want as much control over their bill as possible. So, our pricing structure is reflecting what we understand is our community's views, and we are putting most of the increase in the variable charge. The water service charge does also increase over that period of time. Our wastewater prices are increasing at a lower rate, reflecting the lower level of investment compared to the water investment that we are making over the period. But there's still an increase in investment in wastewater prices, and that's reflected in the wastewater charges.

Our stormwater charges are also increasing. The stormwater charges reflect the ageing assets that we have in our stormwater network, many of which are 100 years old or approaching 100 years old and require renewal to ensure that they remain structurally sound and continue to safely provide services to our community. And that's why we see an increase in our stormwater charges. All the prices that I'm showing here are before inflation. Next slide, please.

What does this mean for a typical resident residential customer. For a customer that is, receiving water and wastewater services before inflation, bills would increase by 5.2% each year. For a customer that's receiving water, wastewater and stormwater services before inflation, bills would increase by 5.7% each year. Next slide, please.

Now, of course, there's a large amount of variability in our customer types in the amount of water that they use. So, our proposal does include a broad range of information about various customer types to help explain the potential bill impact. So, for example, a pensioner household would see a 4.2% increase before inflation each year. A small household would receive a 5.2% increase per year given the lower water use, whereas a large household would see a higher increase based upon that likely larger water use and an estimated 6.1% increase before inflation per year. Next slide, please.

We've strengthened our support for our customers. We know that as I've touched on many in our community are financially vulnerable and are struggling to meet utility bills. We're enhancing how we proactively identify and reach out to those that are experiencing financial vulnerability. And we certainly know one of the challenges we have, is we have a range of programs available, and many people are not aware of the ability to access them.

So, we want to ensure that we make that awareness increased, that we engage as much as possible, so that those who do need support, gain it. We're putting additional outreach activities and awareness raising activities as part of our proposal. And we're doubling the number of water audits to help find leaks and provide advice to customers on ways to save water.

The NSW Government also currently provides funding for a pensioner rebate of \$380 per annum. and that goes to all of the concession card and pension holders within the region. Next slide, please.

That's a brief overview of the proposal, and very happy to take any questions that you have.

Comments and questions

Andrew Nicholls (IPART): Great. Thank you very much, Darren. Alright, so this is the opportunity now to ask any questions or make any comments in response to what you've just heard. We'll have one session now then, we'll hear from IPART, and then we'll have a second round of discussions. So, this is your opportunity to ask any questions or make any comments on what you've heard.

Now, there are a couple of ways you can do that. One is to drop your comments into chat, and I'll aim to get to as many of those as I can, or else you can use the hand function to put your hand up inside Zoom. And if we have anybody who's dialled in today, I'm not sure if we do or not. But star 9 will allow you to raise or lower your hand and star 6 will allow you to mute or unmute your phone. And if you are joining by phone, if you could say who you are when you join us, because we won't be able to see your name.

Alright we might now open the floor, and I will firstly just check if we've got somebody from Water Services Association of Australia for their perspective.

Stuart Wilson (Water Services Association): Yes, that's right, Andrew, Stuart Wilson, from Water Services Association here.

Andrew Nicholls (IPART): Hello, Stuart, we'll start with you.

Stuart Wilson: Thanks a lot. So, the Water Services Association (WSA). Thanks for the opportunity to be here. Thanks very much. WSA was the peak body for water utilities, and there are a number of national and international trends which we thought we'd like to bring to the Tribunal's attention, which may help its deliberations. And we intend to put these in a submission to you, so these are some preliminary remarks. I'll make sort of 3 quick, simple points, and happy to take questions.

First, the drivers of greater capital expenditure in Hunter and indeed in Sydney, WaterNSW are typical of the national trends. We're seeing all around Australia, and I don't need to repeat what Darren from Hunter has just said about those the drivers of those trends, except to say that population growth, ageing assets and climate change in some combination of what the whole Australian industry is dealing with. And well, so NSW is not an outlier in what it's going through, or in the sort of pricing increases it's proposing.

So, we'll put some data in a submission for you. But between 2014-15, and 2022-23, we saw it a doubling of capex. We didn't see price rises at that time, because, as you and IPART know, the WACC was coming down, and we were able to insulate nationally customers from price rises. But between now and 2026-27, we're seeing a doubling of capital expenditure again. And that's for the 20 largest utilities which we've got data from and WSA has talked about this at OzWater Conferences and at ACCC conferences. With higher capex increasing opex and a higher cost of capital in the WACC, we think we're going to see real price increases nationally again. So, what we're seeing in Hunter and Sydney, are in no way outliers. That's the first point.

The second point is, we consider this to be a step change in capex across the industry rather than a once off. In our numbers, the sort of water security expenditure for the next round of water security are only coming in towards the end of that period and will continue. And I think, in the submissions that Sydney and Hunter have put to you, they sort of too, you know, see a continuing capex.

So, that so we're seeing the water industry is in some sort of permanent step, change or transition. And I think in that climate, it's a critical decade for the industry. It's a critical decade for investment in the industry.

The third quick point I'd like to make is around cost of living, and quite rightly, all of us are concerned about cost of living. And Darren set out the programs Hunter's targeting. We also note the government's letter to IPART concerning cost of living and we think that IPART with its processes and its powers, is very well-placed to have regard to all those issues.

What we would flag and for consideration is one risk we see with one of the mechanisms to deal with cost of living which is deferral of investment. We see risks to deferring investment. Because of, we've outlined, that we think we're seeing a step change. But we've also got real live examples not too far from us on what deferring investment can potentially take you into.

And if we look to the UK, we see a country where the populations lost trust in its water industry through an inability to get enough investment into water and wastewater or into wastewater services with unacceptable levels of pollution of rivers, lakes, and beaches. Now, I'm not saying the same thing would happen in Australia if we weren't able to make this critical investment, but it signals that the water industry is critical and if investments not made in the right fashion, which I think IPARTs well placed to judge, then we can run into problems.

Also, if we just look across the ditch to New Zealand, they're still trying to land on a reform model which gets the necessary investment into their industry. And in the meantime, they've got poor water quality, poor environmental outcomes and poor system performance with up to 44% leaks in places like Wellington. So, we think that's something IPART's well placed to take into account other options to deal with cost of living are as Darren laid out the really good hardship programs and expended hardship programs.

But finally, there's also the option that we saw in South Australia in their recent price determination where the government deferred returns or came to the party in some way through lower returns, and that we understand IPART sets maximum prices and it'd be it would be up to the government if it wanted to set something less than maximum prices. So, we have the model in South Australia where there's another option to deal with, cost of living issues through, you know, deferral of returns and envisaged in the corporatisation model, where the shareholder then wears those issues rather than arbitrary deferral of investment. They're the 3 quick comments I appreciate the opportunity to make. As I said, we'll get a submission to you, setting those out, but happy to take any questions. But thank you for the opportunity.

Andrew Nicholls (IPART): Fantastic. Thank you very much, Stuart, for those opening comments. We appreciate them very much and look forward to your submission.

Andrew Nicholls (IPART): I will go to Brian, and then Paul. In that order, Brian.

Brian Watson-Will: Thank you, Chair. Thank you for being there today, and I appreciate it very much. because I've heard a lot to say. And it's all paraphrased in the chat, my thoughts and I was a member of the Consultative Forum Hunter Water a few decades ago. and there weren't any increases over CPI. That's a few decades ago. Now we're looking at 5 years. And my question is to Darren Cleary is, why can't we have annual why can't we have annual increases and assess annual increases as costs shift as the CPI increases.

Darren Cleary (Hunter Water): Thanks for the question, Brian. So just to make sure I understand the question. So, you're saying why do we not just have an annual change to anticipate CPI. Is that what you're asking?

Brian Watson-Will: Well, we're looking at 5 years at 6%. And things can change in 5 years. And you know, I mean it's a cost-of-living crisis. We hear it regularly, the costs plural not just singular, and everything's skyrocketing. It's alright with me. I'm a pensioner. I get some relief. And I believe in user pays. And we've got that in place. But you know, I mean, 5 years. a lot can happen. And there should be annual assessments in my opinion.

Darren Cleary (Hunter Water): I understand, so I think that's partly so. What I would say, our prices do change by CPI each year. So, if CPI is not going up as much, then then they won't. Then so the price will reflect the actual CPI. We do need some understanding of what our likely investment will be because these assets that we are operating and maintaining, take a number of years to deliver upgrades for or to renew and maintain. So, we do need a view that is longer than just annual, particularly when we're looking at maintaining and renewing our assets. So that's one of the challenges and why we have a period of time that's longer than 12 months.

Brian Watson-Will: A further question, how many millions go back to the NSW Government to prop up their infrastructure?

Darren Cleary (Hunter Water): So, we do provide a dividend back to the government.

Brian Watson-Will: Okay. Yeah, I know.

Darren Cleary (Hunter Water): Last year it was \$28 million roughly \$28 million, last year. Look, that's part of our Act. We're required to operate on a commercial basis. One thing I would say, the government then it's up to them to decide what to do with those funds, and what they have been doing is providing the majority of those funds back in the form of a pensioner rebate. So last year, in broad terms, the NSW Government received a dividend of \$28million dollars. just under \$20 million dollars of that was then returned as part of pensioner rebates to customers in this community in the area that we service. So that's a matter for government for them to decide what they do with those dividends, but what they have been doing is reinvesting much of that back in the form of pensioner rebates.

Brian Watson-Will: Thank you.

Andrew Nicholls (IPART): Great. Thank you very much, Brian and Darren, for those comments. I'll go to Paul and then Alana, and then we'll pick up Jenny's comment online. So, Paul. Are you with us, Paul?

Carmel Donnelly (IPART): Paul, I think you're on mute.

Andrew Nicholls (IPART): We can hear you, but we've got an echo so there might be some feedback, I think.

Paul: I just have to jump on the phone and walk outside to do this. Then because I couldn't get any sound on the computer. Sorry about that.

Andrew Nicholls (IPART): Alright. Do you need a minute, I can go...

Carmel Donnelly (IPART): I think he's...

Andrew Nicholls (IPART): to anyone else and come back to you.

Carmel Donnelly (IPART): Is he going to call us on the phone or

Andrew Nicholls (IPART): I think he is. Yes. Let's give Paul a moment.

Paul: Hang on a sec. Sorry. Can you hear me now:

Carmel Donnelly (IPART): Yeah, that's good. We can hear you.

Andrew Nicholls (IPART): Perfect.

Paul: Yeah, alright sorry about that. My computer hasn't got a speaker in it, and I've had to get on the phone to have the phone's audio.

Andrew Nicholls (IPART): That's alright.

Carmel Donnelly (IPART): Okay.

Andrew Nicholls (IPART): The joy of our online life these days.

Carmel Donnelly (IPART): We can hear you now.

Paul: Now so, which...

Carmel Donnelly (IPART): So over to you.

Paul: So, I've got an issue a real issue with Hunter Water. It seems that through the whole consultancy, consult with the community, they don't really tell how much money they've actually given back to the State Government. Over the last 10 years, they have been returned over \$300 million to the State Government in profits. All of their profits go to the State Government, and then then they want to hit us for 5%, 5.2% which is compounding interest, not just 5%. It's 5.2% compounding for 5 years. And what money have they kept that we've contributed to go into infrastructure projects. I can tell you none.

And now we're we've been asked to pay for it again but pay twice. But in that period of 5 years, they will still return profit to the State Government. That's just double dipping. And it's honestly. And I looked through all their paperwork, and they haven't, the 9,000 people that they'd surveyed. Nowhere, did they tell anybody that they've returned over \$300 million dollars almost enough to build a desalination plant, to the State Government. And honestly, they can't. The government just can't keep taking like this. My question would be, are they forced to give all the profits back to the State Government? That'd be what could be one for Darren Cleary.

Darren Cleary (Hunter Water): Yep.

Paul: And how much money do they have in reserve.

Darren Cleary (Hunter Water): Thanks for your question, Paul. So, we are required under the Act that sets us up to operate on a commercial basis.

Paul: Correct.

Darren Cleary (Hunter Water): So, the shareholder does require a dividend, and we do declare that dividend in annual report. So, and as, I touched on.

Paul: I've read that.

Darren Cleary (Hunter Water): It's up to the government to decide how they, what they do with that money, and what they funded on, and what they have done, you know, is much of that has come back and funded pensioner rebates. So, the other, there is..

Paul: No. Yeah.

Darren Cleary (Hunter Water): There is an issue here around the pricing model. It doesn't directly. So, the prices are set based upon an assumed rate of return. This gets a little complicated. So, us changing our dividend doesn't change our prices straight away. So, there is some complexity in how that pricing works. But the dividend policy that we have, is a requirement of our shareholder which is under our Act, and then government decides how best to use those funds.

Paul: So, you say, Darren, that you run like a business, a corporate business.

Darren Cleary (Hunter Water): Yeah, a commercial business. That's right.

Paul: Do you know any corporate businesses that give all the profits to back to the shareholders and retain nothing for in future investment.

Darren Cleary (Hunter Water): So, we do retain funds. We do not pay all of our profit back to the shareholder, so we do retain some funds, and so in the last, say the last roughly 5 years we've retained, roughly, say 30% of our profit has been retained as retained earnings in the business. So that is something we do talk to government about what's the level of funds that we do retain, and we certainly do that to ensure that we are financially sustainable.

Paul: Well, it doesn't read like that in the annual report.

Darren Cleary (Hunter Water): I can assure you that we certainly do. And the financial statements do reflect that. But something I can. We can sort of., if you need some more information and deal with that off offline as well to provide you some more information on that.

Paul: I've had it all sent to me, but I can't understand why. It's helped me understand that we've given \$300 million back to the State Government. How can you sit there and say we need to build this? We need to raise the rates for the next 5 years, because we've got no money to build the desalination plant.

Darren Cleary (Hunter Water): I think key issue. Our prices need to go up for a number of reasons. They need to go up because the cost of us running our business is going up just like all the other cost pressures that we're seeing in the economy. So even if we didn't build a desalination plant, our prices would need to go up. So, the desalination plant, roughly, is about a third of the price increase, and about two thirds of the price increases is to continue to manage the assets that we currently do and maintain and renew those assets and service growth.

Paul: A third.

Darren Cleary (Hunter Water): Roughly, a third, for desal and two-thirds for the existing services, and assets that we have.

Andrew Nicholls (IPART): Alright. Well, we might take those on board as comments, Paul, because I think that was, you know, we've certainly heard some similar themes to combine.

Paul: Thanks, Chair.

Andrew Nicholls (IPART): Around concerns around the dividend at a time of the cost-of-living issues that are raised. So, I think that's a point. Now, we've heard a couple of times. I really appreciate those comments, Paul, and we'll go around to some others, but very happy to come back to you if you have some more comments there, Paul. I did say I'd go to Alana next, and then we'll go to Jenny's online comment.

Alana West (Justice and Equity Centre): Thanks, Andrew, thanks everyone. Alana West, from the Energy and Water Consumer Advocacy program at the Justice and Equity Centre. We attend the Sydney and Hunter Water community engagement processes and also engage with various IPART consultation processes. So, affordability is coming through loud and clear as a really primary concern for people at the moment, and we're hearing from, particularly from people in the financial rights and financial counselling sectors that there'll be a really long tail to this cost-of-living crisis.

And so, even once CPI lowers and things might start to look a bit better on paper, that for people, the long-term implications of the cost-of-living crisis is going to be something moving forward. This might go outside slightly of what IPART can do. But I know there's people from the department on the call, and I do think it's something that we need to be thinking about is, you know, we do have all of these ageing assets, ageing infrastructure. And, as was mentioned before, it's not just Hunter Water and Sydney Water, it's happening really, across the board for water businesses.

Yeah, I guess the question is, is rebuilding that system on bills fair and sustainable? And what other mechanisms can we look to, to pay for some of that infrastructure replacement. Because, yeah, we're hearing that affordability challenges are really huge and obviously seeing that everywhere, and so just thinking about the sustainability and fairness of having all of those costs on bills for people is a broad question that we have and would like to see considered by IPART and the department.

Carmel Donnelly (IPART): Alana. Yeah, I might just assure you that we will consider that. It is clearly quite a difficult challenge to think about how much people depend on water and wastewater services and that they need to have good quality and reliability. And you know, we need to not have horrible leaks into the environment, etc. and at the same time the cost-of-living challenges.

So, in our process, we'll be, as well as hearing from everybody now and doing consultation. We'll be doing analysis to look at whether or not the costs that Hunter Water and the other water businesses say they need. You know the budgets that they need, the revenue they need. Whether that's sufficient, whether it's reasonable to get that starting level of the funds they need right and then we will be looking at whether there are appropriate charges for different customers, and also what kind of support customers might need, and very much thinking about the cost-of-living situation.

And then, I think, as has been said, even then, ultimately, what IPART would set is the maximum and it may well be open to Hunter Water, if they, if things change, and they can charge below that to charge below that, or for government to think about what government can do as well. So, there's a number of steps through this and we're sort of, it's early days for us, that's too soon to say how that will play out. But it's very important for you to know that that's top of mind for us that difficult challenge of making sure that people can get the services they need, and the money is there for the water business, like Hunter Water to deliver that service and not let people down. And at the same time what is affordable and what support can be there. So, thanks, Alana.

Andrew Nicholls (IPART): Great. Thank you. Alana Carmel. Jenny online, you've raised questions about the rising costs relating to fixed services for multi-dwelling apartments. And you've particularly mentioned seniors living in multi-unit sites. Now I know some people would rather not be put on the spot, and happy to take that question. But, Jenny, if you did want to speak to that a little bit more very happy for you to jump in otherwise.

Jenny Atkinson: Yeah. no, that's good. Thank you. I've just ran some numbers, and I have put an application into IPART before, and no one even responds, and even acknowledges that you actually have made a genuine problem. I am a landlord, and I don't know how many other people are landlords here with multi-unit developments, that we're housing seniors, disability people, a variety of people. I just ran the numbers the fixed water service, like, currently, I don't know whether other people are quiet, or that they understand.

But currently one of my bills, just for the fixed sewer charges on one of my blocks of units, is currently sitting at \$1,500. That's before a tap has been turned on. You're proposing a 400% increase on that one particular charge on the water service. You want to go from \$27 to \$102.30 per bill. 400%, not 5.2%. not 2.2%. 400% that is going to be directly passed on to the landlord that is unable to be passed on to anybody else, and we are bearing the cost of Hunter Water, inefficiently managing their funds, that they're getting from these continual fees, that are in perpetuity on these properties and not putting it back into the system. The proposed stormwater increase, 35 to 63 is an 80% increase, 80%.

The per litre that you're going to try and charge the tenants, and I'm not lucky enough to have strata'd units with the now different format that Hunter Water have decided for allowable billing with the fair trading that was taken out of landlords' hands. But that \$2.89 to \$4.40 represents a 52% increase in water charges. How do you think we are going to, how is that fair and equitable on anybody?

Andrew Nicholls (IPART): Thank you, Jenny. I'm just wondering if anyone from Hunter Water might be in a position to make an initial response.

Darren Cleary (Hunter Water): Oh, look! I can make it make an initial response. Look I certainly want to clarify and apologise we're not claiming that any of the individual charges are certainly moving more by the 5.2%. You're absolutely right. What we were trying to communicate is what the estimated increase on a total bill is for a typical residential customer, and we fully understand there are lots of different customer types out there. So, I'm not trying to dismiss or downplay. Just wanted to, you know. Simply say, that's all we were all we were trying to do. The look the increasing, the charges do reflect, like I've said, the cost of us running our business and ensuring that that is reliable into the future, and the mix between those fixed and variable charges on the water side of the business as you've raised. Most of the increases in the variable charge. And we've constructed those prices based upon the feedback we've gotten through our community engagement. So, we've heard that our customers are telling us that they would prefer most of the increase to be in the variable charge, but the fixed charge does also need to increase. We appreciate that it has different impacts on different customer types. So that's part of the challenge that you're now talking about. But that's how we've constructed our prices.

Jenny Atkinson: I know, but you're penalising the very people that are a providing affordable accommodation or attempting to provide affordable accommodation and 400% increase. That isn't fair and equitable, and that's not a fair system. Whether you're just saying that it's helping the one householder. You can't say that landlords out there should burden the brunt of Hunter Water being inefficient, or Hunter Water not keeping enough money to maintain their services. Why is it up to us to pay for your mismanagement for some of these things, 400%, 80%, 52%. These are not normal numbers.

Darren Cleary (Hunter Water): So fully, I hear your concern and about those increases. Everybody is paying those increase in the fixed charges. And that look all I can say is that that increase from the \$20 to the almost \$100 for the fixed charge, it does reflect the cost that we need to ensure that we provide a safe and reliable service.

Jenny Atkinson: Well, I can't see how that's fair.

Darren Cleary (Hunter Water): It's a cost that everybody pays not only landlords. It's a cost that all our water customers will pay.

Jenny Atkinson: In perpetuity, forever. That that's just not, you know, we can't pass any of those on to the tenant and you wonder why there's no accommodation, because people are just selling up going. Why, I'm just funding Hunter Water at a 400% increase. No normal business is allowed to do this, a 400% increase.

Andrew Nicholls (IPART): Jenny, it'd be great if you I don't know if you're planning to make a submission to IPART or otherwise, you might be able one of our team members might be able to reach out. We're obviously interested not only in the average increase, but obviously the way that that might fall across different bills. So, if you've got the specifics there around your situation, that's something would certainly be very happy to have a look.

Carmel Donnelly (IPART): And Jenny, I might just.

Jenny Atkinson: I have mentioned this before, and nobody even acknowledged that I even made a submission. So, it's just like landlords must be. Everyone must be rich and rolling in it, and we don't count, and that's not, that's not fair, and it's not equitable.

Carmel Donnelly (IPART): Jenny, I've certainly made some notes about what you've said, and thanks for speaking up and I'm sorry if you haven't had a submission acknowledged before we certainly would welcome it. I want to just say, too, at this stage we're very keen to be working out what the issues are that we need to look at closely. So, we will take that into account. Because these are Hunter Waters proposal. IPART has not formed a view, and we're listening. And part of what we look at is the impact on the broader economy. So, for instance, we have a look at what the impact would be on inflation generally of prices going up in water. We'll also be very aware of housing, affordability and housing shortages, and so on. So, thank you very much for raising it, and I can assure you we'll take that into account.

Jenny Atkinson: I will be also making a submission along those lines to say that no normal business can do a 400% increase on a fixed, a fixed cost and 80% and 52%. It's just not fair.

Carmel Donnelly (IPART): Yeah. We welcome a submission. I'll look forward to reading it. Thank you.

Jenny Atkinson: Okay. Thank you.

Andrew Nicholls (IPART): Thanks, Jenny, for raising those concerns, and we do want to hear about those specific issues. So, if any of you are planning to make a submission very interested in any case, studies or any concerns that you might have on the specific impacts as well as the general impacts. Okay, anybody else at this point, wanting to ask a question or raise a comment. Anyone online?

Jenny Atkinson: Sorry I just. I just did have one other thing. My main focus was the 400, 80 and 52. But there's also a proposed drainage service. Now I'm just going to use Cessnock City Council for a start. Cessnock City Council already impose a stormwater management fee on my rates. Do you get that? Who gets that? And why would I be paying the council to manage stormwater when I'm now going to be hit with a drainage service from Hunter Water. So, who's supposed to be getting money from this, and who's dealing with it?

Darren Cleary (Hunter Water): So, both. So, Cessnock City Council manages most of the stormwater drainage assets that are in the street. And then Hunter Water owns the main trunk stormwater asset. Particularly say along Black Creek, that goes through the centre of Cessnock. So that's Hunter Water's asset. So unfortunately, it is a divided responsibility, and hence you do get bills because there's 2 sets of assets that need to be operated and maintained. So, we don't get any money from Cessnock Council from the charges that they levy for their stormwater management. That's to maintain their assets, and of course our charges is to maintain our assets. So yes, but you are correct, you therefore, unfortunately get 2 charges.

Andrew Nicholls (IPART): Right. Thank you, Jenny and Darren, for those queries. Any other questions or comments before we move to session 2. If not, we're a little bit ahead of time on our schedule. So, what I might do rather than have the break at this point is, go now to the IPART presentation. Oh, Paul, you've got a question. I'll go to you, and then we'll go to the IPART presentation. Just on mute again. Paul. Might have to jump on the blower like last time.

Paul: Yeah.

Andrew Nicholls (IPART): Gotcha? Yeah.

Paul: Jenny made some really good points, and I think, from my point of view, looking through the documents that Hunter Water have put out there. It's not clear where the money's, how they're making up the increases. You've got to read between the lines and not, they're not coming out and saying, you know that the water service is going up 400%. This is going up. The storm water's, going from \$97 to almost doubling. It's all done in a glossy brochure that all looks really nice, but and again, where did it say, in a nice glossy brochure where we returned, how much money to the State government when we should have been. It's the customer's money, and it should have been put away for to build a desalination plant. And previously 10 years ago it should have been put away to build the Tillegra Dam. This is the same argument as the Tillegra Dam.

They want to rise all that money and put all the put your rates up again. but return all the money to the State government. It's just a clear case of double dipping. And a business can't run like that, like, Jenny said. Imagine BHP. Fortescue and Rio Tinto keeping no profits to invest for the future. but haven't give it all. Let's give all the money back to the shareholders and then say, okay, over the next 5 years, we're going to increase our iron ore prices by 25 % over BHP and Fortescue to fund our infrastructure projects. Oh, sorry! How long are they staying in business? They're not. They're going to go under. But it seems that this is an autocracy, and this is what we want, and we'll get it.

Andrew Nicholls (IPART): Thanks, Paul. Well, I think if I can just jump in, I guess that's part of the reason why IPART conducts this process. It's exactly to as one of the points Carmel mentioned right at the outset to protect the community from abuse of monopoly power. And what that means is where you've got a single entity so that they can't exercise authority in a way that disadvantages the community, but also takes into account a range of other things, and so certainly that will be a central part of the examination that we're doing in IPART and..

Paul: Good.

Andrew Nicholls (IPART): We very much appreciate your input on that, Paul.

Paul: And like, I say, if it's a business model, how can they put up your price 25% and still expect to stay in business.

Andrew Nicholls (IPART): Great. Thank you. Appreciate that input very much, Paul. We might jump. Thank you. We might jump now a little bit ahead of time to the IPART presentation on our response and the things that we're focusing on as part of our review process. And then we'll go back to more. Q&A So there's still plenty of opportunity for you to raise any concerns or comments, or anything that you haven't so far covered. After this presentation, the rest of the hearing will be over to you. So, I'll throw now to Shirley Lam to walk us through the IPART presentation.

Session 2 – IPART presentation

Shirley Lam (IPART): Thank you, Andrew, so good afternoon, everyone. So, Hunter Water has proposed increased prices over the 2025-26 to 2029-30 pricing period, and this is largely to cover the proposed cost, to provide water, wastewater and stormwater services and to meet the customer outcomes. It has engaged with its community on. So, under this proposal, Hunter Water proposes to spend around \$507 million dollars on average each year for 5 years in the upcoming pricing proposal. So, this represents a 26% increase in the and average annual expenditure compared to the amount we used to set prices in our last determination in 2019-20. So, this means that customer bills would need to increase for Hunter Water to recover its higher costs.

And as we heard today. Under Hunter Waters proposal the bill for a typical household that is, a bill for customer receiving water, wastewater and stormwater services using around 146 kilolitres per year would increase by 5.7% on average each year over the 5 years plus inflation. So, this is approximately an \$86 increase over the 5 years on average, per customer for a typical bill.

So, we know that the majority of the customers do not pay stormwater bills. So, for these customers, typically, you would only increase by about 5.2%. We know this is a typical bill, and not for every single customer as we heard today.

So, in setting our prices, we will review the pricing proposal in detail. So, looking at the proposed expenditure, whether it delivers the expenditure that it meets those customer outcomes that they've consulted on, and how much Hunter Water needs to properly charge its customer to cover the only the efficient cost of providing the water wastewater and stormwater services. So, we'll consider the affordability of prices, as Carmel said, recognising that access to safe and reliable water is critical. So, in the following slides I'll go over the Hunter Waters, price cost and customer outcomes. My colleague, Kristy Mamaril will discuss the bill increases under Hunter Water's price changes. So, move on to the next slide.

So, this next slide covers capital expenditure. So capital expenditure is what the water businesses spend to buy or build new infrastructure and equipment. This chart shows hunter waters, capital expenditure from 2016-17, including Hunter Water's actual capital expenditure as seen in the dark teal columns, the expenditure we use to set prices under our previous determination, as shown in the blue line. and then the forecast expenditure for the current year, which is an extension to the current 2020 determination. and what is the proposed capital expenditure for the upcoming period.

So, for the upcoming pricing period, so Hunter water has proposed yearly capital expenditure that is, on average 49% higher than the yearly capital expenditure amounts that we use to set prices in 2020. So, most of the increase is due to the build of the proposed Belmont Desalination plant to improve water security in the region. So, this project makes up around 30% of the total proposed capital spending. As you can see from this chart that it happens in the 2 first years of the pricing period and Hunter Water's pricing proposal also indicates that it will defer some of the spending on growth and improvement on assets to future years.

So, we would like to hear more from you on what you think about how Hunter Water has prioritised its capital spending, and how it has engaged with customers on its capital projects.

So next slide covers operating costs, which are the typical day-to-day costs of a water business. Hunter Water's operating costs include direct costs, such as paying employees to manage water, wastewater, and stormwater services, such as meter reading, customer services and billing, energy bills and other costs, such as vehicles, materials, and corporate overheads. Similar to the previous chart on the capital expenditure, this shows Hunter Water's total and proposed operating costs from 2016-17.

For the upcoming pricing period, Hunter Water has proposed yearly operating costs that are on average, 1.4% higher than the yearly operating cost amounts that we use to set prices in our last review. So, as you can see, the total proposed operating costs appear to be stable. We would like to hear more from you on what you think about Hunter Water's proposed increases in operating costs, particular to the improved customer outcomes and invest in digital technologies. So, we also look into the increased value to customers of the spending. We'll move on to our next slide.

Hunter Water has told us it's consulted with its customers to find out what is the most important to them. So, through its engagement process it has developed the 6 customer outcomes outlined before by Darren and to guide its service delivery. The figures in this slide include both capital and operating expenditure. So, of this spending, we understand this also includes spending on recommendations made by Hunter Water's, community panel about what is best for the whole community.

So, we're interested in what you think about Hunter Water's engagement process, whether Hunter water has engaged effectively with customers and stakeholders, particularly around these customer outcomes and the proposed spending for the upcoming pricing period. We're also looking at Hunter Water's performance measures, and whether the proposed targets are appropriate in achieving the customer outcomes that they've put forward in this pricing proposal. All of these factors will be considered, as we closely review its proposed costs, to determine whether these are prudent and efficient. And from here I would now hand over to my IPART colleague, Kristy Mamaril, to discuss the proposed bill increases by Hunter Water.

Kristy Mamaril (IPART): Thank you, Shirley. So based on the proposed costs, Hunter Water proposes. The following bill increases, so it is seeking to increase bills gradually over the pricing period, as mentioned by around 5.7% on average each year of the years plus inflation, or by 5.2% each year, plus inflation for the majority of customers without storm water. Hunter water has told us that this is in response to customer preferences for increases to be in smaller steps than in one big step.

The chart shows that over the period, while most of the typical bill under Hunter Water's proposed prices goes towards paying for wastewater. More of the bill will go towards paying for water. Typical water bills would increase by 11% each year. Compared to the 2% increase in wastewater bills each year over 5 years. The chart also shows that under Hunter Water's proposed prices stormwater bills would increase by 12% each year over 5 years.

And we're interested in how these bill increases as proposed by Hunter Water would impact you, impact stakeholders. And we'll consider the cost-of-living impacts of Hunter Waters, prices. We want to hear from you about how we should set prices that are affordable and provide value for money. This chart shows water bills under the proposed prices by 2029-30 for an indicative small medium and large water user.

There are 2 types of water charges customers pay which make up the total water bill. First, the water service charge, which is a fixed charge that customers pay to receive the water service over the billing period shown by the block at the bottom of the columns of the chart, and, second, the water usage charge, which is a variable charge that customers pay, depending on how much water they use over the billing period shown by the block at the top of the column.

Hunter Water's proposed expenditure means that both charges would need to increase. However, it has proposed to apply most of the increases to the water usage charge. Hunter Water has proposed to increase the water usage charge from \$2.89 to \$4.40 per kilolitre by 2029-30, and the chart shows the impact of the proposed change across the different users. So how much customers would pay would be driven by how much water they use. Water usage charges would increase by 9% each year over the next 5 years under Hunter Water's proposal.

So, we are interested in hearing from you on what you think about Hunter Water's proposal to recover most of its proposed additional costs through the water usage charge, and we're also interested to understand whether customers would reduce the amount of water they use to lower their bill in response to proposed price increases. Next slide, please.

This slide shows proposed wastewater bills for houses and apartments. Hunter Water has proposed to maintain fixed charges for wastewater for household customers. It proposes that customers that live in apartments continue to pay less than customers that live in houses based on lower average water consumption by apartments. Currently household water charges are based on the assumption that customers discharge the same amount of wastewater, regardless of living in a house or apartment. Hunter Water proposes to change this by calculating wastewater charges based on different wastewater discharge amounts for house and apartment customers. Wastewater bills would increase by 2% each year, plus inflation over the 5 years for both houses and apartments under the proposed prices.

This slide shows the proposed stormwater bill for a typical household that receives stormwater services, and as mentioned, the majority of Hunter Water's customers don't pay stormwater bills. The slide shows that the stormwater bills would increase under Hunter Water's proposed prices, and Hunter Water has told us that the income needed to recover the costs of providing stormwater services would outpace the growth in stormwater customers, and therefore this would mean an increase to stormwater prices. Hunter Water has proposed stormwater charges to increase by 12% each year over 5 years on average, for both residential and non-residential customers. For a typical house that would mean a proposed price increase from \$97 to \$170 by 2029-30.

We also regulate the fee that Hunter Water can charge for dishonoured or declined payments, and this is separate to how we set prices for water, wastewater, stormwater, and other services. These are not fees for the provision of a monopoly service. Hunter Water has proposed to reduce this fee in the upcoming pricing period from \$32.36 to \$6.55, a reduction of about 80%. Hunter Water has told us that this reduction is due to slightly lower third-party costs and efficiency benefits arising from automation. Hunter Water proposes to apply this fee to all dishonoured or declined payments, including those paid for by debit, credit and cheque.

We are thoroughly assessing Hunter Water's pricing proposal. We will investigate the key issues including affordability of bills, value for money and service levels, the impacts of increases to the water usage charge and water security and the delivery of the Belmont desalination plant. We are also keen to hear from you on what other issues matter. We have also engaged independent experts to conduct an expenditure review and to review Hunter Water's engagement, customer engagement, which is a key focus for our new 3C's framework.

But overall, we are interested in all your views on Hunter Water's proposal, and how its proposed prices and spending would impact you. Thank you for listening to this presentation. I'll now hand over to Andrew for the comments and questions session. Thank you very much.

Andrew Nicholls (IPART): Thanks very much, Kristy.

Comments and questions

Andrew Nicholls (IPART): Alright. Well, for the balance of the session today we have an opportunity to hear further from you about any responses or comments or concerns about what you've heard. Again, just a reminder. You can drop your questions into the chat box, and I'll aim to come to those as soon as I can, otherwise please raise your hand, and I will also aim to get around to you, and, as I mentioned earlier, if we do run out of time today, we will make sure we pick up all of the questions and comments that we haven't, and they'll all be treated as part of the review process and get back to those of you as necessary, and I'm also aiming to take a break in about 15 minutes time for about 5 minutes, just so that everyone can stretch their legs and have a break at the midpoint. So, we'll do about 15 minutes of comments and questions a short break, and then we'll keep going. Alright, so, I think Alana has her hand up. We'll go to you, Alana.

Alana West (Justice and Equity Centre): Thanks, Andrew. So, as has been mentioned, water is an essential service that people need for health, wellbeing, economic and social inclusion. We're seeing in energy that people are skipping, buying groceries, getting medicine, engaging in social events, to be able to pay for their energy bills. It's likely people are probably doing that with water as well. And so, I'm just thinking about in terms of the moving a lot of the costs onto the usage part of the bill. We don't really want to create a situation where people aren't using the water, that they need to live healthy and full lives because they can't afford to use it, basically.

And what we see a lot in energy is that there are hidden payment difficulties where, yes, instead of you know, using the energy that they need. People don't use energy, and that causes really quite a widespread, individual, but also social issues. And so just wanted to ask, I guess whether Hunter Water had considered those impacts. And yeah, thought about that in shifting things onto the usage phase.

Darren Cleary (Hunter Water): Thanks, thanks, Alana, and yes, look, we have, and it's a balance, of course, and we are well aware that there are some of the challenges, particularly as you get to larger households. And so, our approach has been. We've certainly heard fairly, consistently and strongly that our, you know, overall, our community do support the increase being in the variable charge because it gives them greater control over their bill.

So, if you are more water efficient, then, you know, you have an opportunity to reduce your bill and therefore, trying to therefore target assistance to those households that do need it. Maybe larger users might have other vulnerabilities. So how do we assist those that, that cohort of customers. Whilst also reflecting the ability to or give customers the ability to control their bill as much as possible. So, the alternative is, you put it all in fixed charge, and therefore everybody pays, and there's no ability to so or some mix in between. So that's why we've propose what we have, but well aware that when we are doing this, we're talking about an averaging effect, if you like, and we need to be cognisant of the potential impacts in particular groups. And so, our focus is, how do we support them as best we can.

Andrew Nicholls (IPART): Great thanks, Darren. Would anyone else like to comment on this question of sort of getting the mix between fixed and variable. Paul, I'm not sure if you're going to respond on that question, or a different question. So, like, I'll go to Paul, and then Jenny, and then anyone else who wants.

Paul: To be clear, to be clear, Darren. You're saying the fixed charges aren't going up, that's all in the variable.

Darren Cleary (Hunter Water): Oh, sorry I will, I will. I didn't mean to say that what I'm saying is, the majority of the increase is going up in the variable charge. There is an increase in the fixed charge, and you know, I think, Jenny, earlier, you know, flag that. So, it's going up from, you know, just \$28 now to just over \$100 and that's what we've proposed. So, the fixed charges going up as well. But most of the increase is going up in the variable charge. So, I mean the slides that you saw earlier with the increase in the water charge. Most of that would be paid for through the variable charge.

Paul: With the expenditure, is there a list of infrastructure projects that you have, for the, to match the what's proposed in the graphs?

Darren Cleary (Hunter Water): So, in our proposal does outline, it does outline the areas where we're proposing to spend with, you know, the various capital expenditure and operating expenditure. So, there is information like that in the proposal.

Paul: And I noticed that the spend has got a real peak in it in the next 2 years is as Kristy pointed out on that graph, and then then the operating expense itself does. This goes up to a peak and then comes back down. Will you be dropping the water rates off by 30%, after that, after the desalination plant's paid for. Because the operating costs of your business flatline across the next foreseeable future and it flatlines the operating costs, big spike in in capital expenditure over the next 2 years and the operating costs just flatline. So, one would assume that the good thing to do, would be to drop the water rates off when we don't need to spend as much money operating because we're spending the same amount.

Darren Cleary (Hunter Water): Quite possibly. I mean that that'll be a decision for, yeah, sort of 5 years' time when we go through this process again. And you know that I cannot tell you what that what we'll be proposing because I don't know exactly what it will look like in 5 years' time. But it is possible that rates could, you know, could come down. Given it, you know, depending upon economic conditions at the time, and IPART would be involved in that process. So, what I can say.

Paul: Well from a consumer's point of view,

Andrew Nicholls (IPART): we'll just let Darren.

Darren Cleary (Hunter Water): I was just going to say one thing that is, in our proposal. It wasn't in the slides I presented, when we look at our capital expenditure over the next 10 years. We do have a peak that you've noted. That's due to Belmont, but we also know we've got a number of other large capital investments we need to make over the next 10 years, particularly relating to dam safety. So, our capital expenditure, when you look at over the next 10 years actually, doesn't you know, there's some peaks and troughs, but it is, you know, fairly well sustained because of those other requirements as well that we know are coming. Sorry, Paul, do you want to go ask something else?

Paul: Well, I just thought it would be if you don't need the money after you've proposed to put it up, once the desalination plant, should have been in your submission to drop them off. We'll do the right thing by the community. You have paid for the desalination plant. We're still giving profit back to the State Government. Well, it's your money. We'll give it back to you. I just don't understand, I just don't understand how you can still save no money, and then want, want a handout, so to speak.

Darren Cleary (Hunter Water): Like I, said Paul. We're, in 5 years' time we'll go through this process and set our prices, and it's quite possible prices might come down, depending upon what's happening at the time.

Andrew Nicholls (IPART): All right.

Paul: As I said, it should have been in your, in your proposal.

Andrew Nicholls (IPART): Thanks, Paul. We'll certainly take those comments on board when we're examining the proposal as well. So, thank you very much for those comments, Jenny, I did promise to go to you as well.

Jenny Atkinson: Thank you. There's a couple of points that have come up. It's noted that the day to day running costs, and the Hunter Water are fairly static over the next foreseeable future. That would be nice. Given that you've got a monopoly on water, right. The other thing that was said was that you've, you're taking in a typical household. You know that there aren't just a typical house you've deliberately left off any developer, any units, any seniors living, and any disability accommodation into that equation and that's quite a substantial percentage of our ageing population with accommodation.

So, I think you have deliberately made, the deliberate attempt not to come to a typical household with a landlord and knowing that those charges that you're planning on increasing are 400%, not in favour of that particular segment of the market. The other thing to note, too, is that Hunter Water's back-end costs on development your amplification charges and things like that on new developments that people like us that are trying to provide accommodation and building houses for, for people to be able to hopefully rent have substantially increased, and the service has substantially gone down in that respect as well. It's very difficult to deal with you now on that type of thing, and those fees have also gone up substantially.

I noted that the last speaker had a slide up, saying that the stormwater was going to be 12% an increase. That's not true. \$35 to \$63 is an 80% increase. So, I don't know who's doing the math on the glossy brochures. But it's not right. \$35 to \$63 is an 80% increase. The wastewater charge at 2%. You know, we have got no way as a landlord of passing that on. It's a fee that cannot be passed on. There's no way of charging that to a tenant in order, you know. You think it was fair and equitable. If a tenant uses the water they pay for the water, they would pay for the backside of that as well. There's so many holes and so many unfair bias in these proposed costs. I just can't see how you can sit there and say that you have considered and consulted a whole community.

Andrew Nicholls (IPART): Thanks, Jenny. I'll take that as a comment, as they say on the television. I think you made a couple of key points there, and we'll certainly be taking those into account as we're working through the proposal. Are there any other comments before we have a 5-minute break any other questions. If not, we might take a 5-minute break just to have a leg stretch given that this is a two-and-a-half-hour session. You can stay online, and I will be back at 5 minutes past 3 o'clock sharp, where we will continue the Q&A Session. Thank you.

Closing remarks and next steps

Andrew Nicholls (IPART): Welcome back everyone. It's just 5 past 3. Be a couple of people still to come back. But we might keep things moving. Now, the team just asked me to clarify that in our presentation the reference to the 12% increase for the for the stormwater charge is the per annum figure over 5 years, just to clarify that in case there was any queries, and we're amending that in the slides. Now, are there any other questions or comments?

Were there people here who are involved in the engagement processes, customer engagement processes. That's a fairly important part of the new pricing framework, and just wondering if anyone had any views or comments on that experience. If you did, in fact, participate in those processes. No takers, maybe no one here was in attendance at those events. Any views or comments on Hunter Water's engagement more generally in terms of these sorts of activities. Jenny.

Jenny Atkinson: Clearly because it's obscure. Even when I have put a submission, it's never been acknowledged. And once again this framework of a typical household is not a true reflection of the percentage of people that rent, the percentage of landlords in NSW. I tried to google it in the break to find out how many a typical households now are in NSW versus the people like myself that don't appear to have a voice because it's not a typical household, and I'll endeavour to find that out, because it's not. I'm not a minority of I'm sure it's a percentage a lot different to what you think it is, and we are never consulted and like they avoid people like me, like the plague, because obviously I bring to the table and put a 400% increase and 80% increase, 52% increase.

And as I said, no one's really looking over those numbers, you yourself. And it's not everyone can make a mistake. But even saying that it's 12% for a 60% increase is still not correct. It's an 80% increase, and people are glossing over these massive, massive increases and not thinking, who's going to pay for this stuff.

Andrew Nicholls (IPART): Alright. Thank you, Jenny. All right. Any other comments or questions. We've heard some comments on the operating. Sorry, the capital expenses, any comments on the operating expenses particularly focus on digital investment. Does anybody have any concerns or comments on that?

Carmel Donnelly (IPART): Andrew, Alana has put a comment in the chat about the consultation process.

Andrew Nicholls (IPART): Oh, great, thank you, Alana, did you want to speak to that point? Alana.

Alana West (Justice and Equity Centre): Yeah, happy to. Just that, yeah, we attend multiple different types of consumer engagement across water and energy in NSW and nationally. And yeah, oh, well, obviously, there's room for improvement.

Compared to some other ones that we've witnessed over the last several years. Hunter Water did a good job at their first kind of go of deliberative engagement, and we heard from a lot of the people that were in the room that they felt it was meaningful that their voices were heard, that discussions were respectful, and they felt that they were provided with enough information without needing to be experts to meaningfully engage in the process. So, we'll provide further comments in our submission. But yeah, the team at Hunter Water did actually quite a good job.

Andrew Nicholls (IPART): Great, good to hear that feedback. Thank you, Alana. Any other comments on engagement? What about the rebate question? That's something that the Premier's asked us to look at specifically. Do you think that the way rebates work at the moment are about right, or any opportunities for improvement, especially in face of the cost-of-living crisis. Jenny.

Jenny Atkinson: Okay. So obviously, you have rebates to pensioners and things like that in a typical household. So let me just use a block of flats, older block. There's thousands and thousands of them in Sydney that are not separately metered, that have had a main meter through that have got no way of separately metering those things. That means that those people are no longer, or cannot apply for any form of rebate, no matter what is being charged, whether it's just split, whether the strata splits it, whether they're not strata.

There's no form for rebate for my tenants, for example, because technically they're not even paying for water. So, it's, you know, there's a whole other question around the fact that Department of Fair Trading along with consultation, supposedly by Hunter Water, decided that the Australian standard on private meters that were on units that could have been individually metered can now no longer be charged meterage as well, which you are probably aware of. So, we went from a perfectly complying building with a private meter on a unit to the stroke of a pen overnight, not being able to charge water to our tenants. So, it's not even a user pays system, and they've got no way of billing, and they've got no way of getting a rebate.

Andrew Nicholls (IPART): Alright. Thanks, Jenny. Any other comments on rebates. Chris Schelling. I see you were on the community panel as well. You're on the spot to make any comments from your perspective. We're happy to take that as a comment. Alright, what about key customer outcomes were identified by Hunter Water when you had a look at those on the slides, did anything jump out? Or the performance measures that Hunter Water are proposing to use in their submission?

Jenny Atkinson: How is there any performance method on a monopoly of a company? They've got, no, there's no, there's no way of questioning whether they're running their business, good or not, they're static costs. We don't even know there's no way of saying that they're not. They've got the water, and we're being held to ransom for it. There's no there's no way of having any way, of a normal business. If you're not performing, you don't get the business, whereas they've got no way of even being penalised for not doing good business.

Andrew Nicholls (IPART): Thanks, Jenny. Well, I think part of the process we're trying to certainly achieve here is to do that examination and part of what we're doing is getting some cost experts to come in and to examine exactly what they're proposing in both capital and operating expenses, and to ensure that only the efficient component of those costs are passed on to the consumer. And so, getting your feedback today is really important. It's a really important part of that process. So, thank you very much for that. And I think Sharon might be jumping in with either a question or a comment. Sharon's one of our Tribunal members just by way of introduction.

Sharon Henrick (IPART): Afternoon, everyone. And thank you, Andrew, I did have a question about Belmont which is, we've heard. That's 30% of the increase in Capex. And should we take it from today's hearing that? And I know Paul has raised a question. But it goes more about how that's pays paid for than the actual need for the plans. So are there any. Is there anything anyone wants to raise with us today about the Belmont Desal plant.

Andrew Nicholls (IPART): Any takers on Belmont, Brian, I think if you're still online you had some concerns previously about retention in of ownership.

BRIAN WATSON-WILL: Thank you. Chair. Yes, it doesn't. I support the Desal plant as the same one in Sydney as well? I mean, we're a dry continent. And, and we, you know, we've got to look to the future for emergencies. But I mean, we take our water from the: sand beds, Anna Bay sand beds, for example, and parts of Port Stephens, of course, and the Grahamstown dam. Having said that I am supportive, and always would be, the cost is prohibitive, the beauty of Hunter Water is a corporation, and we own it. And you know, I mean, that's the that's the beaut part of it. And if we own the Desal plant, too, and rather than flog it off like Sydney's done. That's a big plus as well. You know. We've got a plan for the future as well and I'm happy with the service that we receive absolutely.

Andrew Nicholls (IPART): Right. Thank you, Brian. Thank you. Also, Chris Shelley, online. You've had a comment there about the desal plant and supporting it as well again, not going to put you on the spot unless you'd like to speak to that point, but happy to take it as a comment. Jenny.

Jenny Atkinson: What's stopping them from building it with the money and then selling the asset off like we've seen in every other almost NSW, you know we're going to be forced to fund it because we're not going to have a say so, what's going to stop Darren from getting it up and running and going. Wow! This is profitable. We're going to bring a hundred million dollars to Hunter water coffer and take away our emergency supply of backup water that we're paying for in our area just to make his bottom line look good, and for him to get his bonus.

Andrew Nicholls (IPART): Well, I think, with all deference to Darren, he probably wouldn't be the one personally making the decision here. It would be a state government, a question for the State government, but happy to take it as a comment unless somebody would like to specifically respond.

Carmel Donnelly (IPART): I think, I think we've heard from.

Andrew Nicholls (IPART): Yeah, okay.

Carmel Donnelly (IPART): From a couple of people about the importance of it, staying in.

Andrew Nicholls (IPART): In, in.

Carmel Donnelly (IPART): Hunter ownership, and we'll acknowledge that as feedback. And I would just say to it, the other thing that I'm hearing is that the water security, like the need. The need is not for the desal to give you the confidence that the water supply will be there. That's not what? You're questioning. Yeah, that's okay. We're hearing. Okay, thank you.

Andrew Nicholls (IPART): And having it funded from bills, I think, is what I'm hearing by the community. The community is expressing any a view that it should stay in community ownership. Thank you for those comments. Alright. Any final comments today on anything that you've heard today, I've sort of run through some of the main questions we had from the IPART presentation any last thoughts. This isn't your only opportunity to put your views forward. Obviously, we've got a consultative process occurring right now to receive submissions, and there will be an opportunity for further submissions in 2025, which is when we will come forward with a view on what we think the prices should be.

So, you'll have another opportunity to provide feedback. So, this is a very consultative process, a very transparent process. We're really interested in hearing your views, but hearing your views directly at this hearing is also an important part of that process. So, if anyone does have any final comments to either drop in the chat or ask. Now I'd encourage you to jump in before I wrap up, Brian.

Andrew Nicholls (IPART): You're on mute, Brian.

BRIAN WATSON-WILL: Yeah. There's been some interesting information this afternoon, and I appreciate that very much. I think IPART really should recommend and consider an annual increase and assess annual increases along with CPI. I do this because everything compounds 6% over 5 years just compounds. And that's more than 6% at the final wash up. And we can, we can assess annually like a report card and have a have a good, good look at how our money is being spent and how the Desal plant's going, etc. etc. So, they're my thoughts. I've put them in the chat, and I thank you very much for being there for us. Thank you.

Andrew Nicholls (IPART): Thank you, Brian. I really appreciate you attending today and contributing. It's very much appreciated by us. Alright, any other last comments before we wrap things up. If not, thank you for all your questions and feedback. And, as I say, it's not the end of the process. There are a number of you online today. We didn't get to hear from everyone really encourage you to put a submission if you can. It's very useful to hear all of the views, but also fantastic to hear people's direct views and experiences as well. So, I will now hand over back to, in fact, to IPART's chair, Carmel Donnelly, to close the hearing.

Carmel Donnelly (IPART): Thanks, Andrew, and thank you very much, everybody, for making the time to be with us today. It's been very helpful. Been very useful for myself and the Tribunal to hear your views. In terms of next steps, the slides that you've seen today, and the agenda and a transcript will be available on our website in a few days, and we'll also provide a recording on our YouTube channel. We will be considering everything that's been said today as part of our review. And obviously we're also doing some very thorough analysis of the proposal put forward by Hunter Water, and we're also interested in any feedback that you might have about how we can improve our online hearings.

We try to do them online where we can, because people are able to get here without having to travel, or we can do it more efficiently ourselves without having to travel but if you have feedback, we'd be welcome. That'd be welcome. As previously mentioned, we're accepting submissions until the 9th of December. You can find out about how to put them in on our website, and a submission can be as short or as long as you like. It's really up to you. And so, we will consider everything that's been put in those submissions.

Then, our next step is to consider the feedback and do our analysis and put our draft report out in March. Now that will give you more of a sense about what we think of the Hunter proposal and our draft decisions. And we'll have further consultation, including public hearing at that point and call for submissions, and then our final report and decisions will come out in June and apply from July. I think with that, we are probably able to close and let everyone have the rest of their afternoon back.

Can I just say again how helpful this has been. I hope it's been as useful for you as it has been for us. If you would like to talk to someone at IPART about this review, we have the contact details there on this slide. And this slide will be up on our website, and we have the contact details there as well. So, you're most welcome to get in touch with us. So, I will leave it there. Oh, sorry, Paul, you've got your hand up, just before I close things. I think you're on mute. We're having this problem.

Andrew Nicholls (IPART): You just on mute, Paul. I think.

Carmel Donnelly (IPART): Paul.

Paul: This is my first zoom meeting.

Carmel Donnelly (IPART): This is your first zoom meeting. We've done well.

Paul: Yeah, it's my first zoom meeting.

Carmel Donnelly (IPART): Yeah. They're not. It's not always as good as face to face. But we try and do a mix because there are some people who just can't get around as easily, and it means they can have a conversation with us as well. So, thank you for that. Alright, so with that.

Paul: Thank you, guys, for listening to us and given us somewhere to go with our frustrations. I've hit a brick wall when I've asked Hunter Water for all these questions, like I was proposing. And I don't know it, it just doesn't seem fair like, Jenny said. It's just not fair. It's not an open, you know what, it's not open for competition or anything. It's just, they've got us, they've got us in the corner, and then you guys are only avenue of, yeah, where we go to. Yeah. So yeah, please consider carefully our submissions and what we've said, because it affects everybody. And at the end of the day, it's been our money that's been given to Hunter Water, and they've given it all away. but now they want to double dip.

Carmel Donnelly (IPART): Well, we will absolutely consider everything that's being said today. And you're right. I mean, part of what we consider is the pricing fair, especially in a situation where people don't have a choice about who they can go to as a customer. So that's very much part of what we consider. So, thank you, Paul. Thank you everybody for participating today.

And if you would like to have further conversation with us, the contact details are on the slide. and we'll consider everything's been said today. It's been very useful. So, I'll close the public hearing now with our thanks, and we look forward to considering submissions from those who are able to put in a submission. So, thank you very much, and have a good afternoon.

Andrew Nicholls (IPART): Thanks, everyone. Thanks for your time. Bye, bye.