



Hunter Water Operating Licence
Review 2021-22

Public Hearing Transcript

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Water >>

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly, Chair
Deborah Cope
Sandra Gamble

Members of the Secretariat for this review are:

Christine Allen, Mamata Titus, Gudny Palsdottir, Tom Banuelos

Enquiries regarding this document should be directed to a staff member:

Christine Allen (02) 9290 8412
Mamata Titus (02) 9113 7750

The Independent Pricing and Regulatory Tribunal (IPART)

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Acknowledgment of Country

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

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

Contents

1	Hunter Water Operating Licence Review	1
1.1	Welcome and Acknowledgement of Country	1
1.2	IPART presentation	3
1.3	Hunter Water response	8
1.4	Q&A Roundtable discussion	10
1.5	Closing remarks	17

1 Hunter Water Operating Licence Review

1.1 Welcome and Acknowledgement of Country

Ms Donnelly: Good afternoon we might make a start. Welcome to IPART's public hearing as part of our review of the Hunter Water operating licence. My name is Carmel Donnelly, I'm the chair of IPART and I'm joined this afternoon by fellow Tribunal Members Deborah Cope and Sandra Gamble. We also have some of the IPART team who like the Tribunal Members are here to listen, answer questions, hear your feedback, particularly Christine Allen, Mike Smart, Anthony Rush, Mamata Titus, Gudny Palsdottir and Tom Banuelos.

I would like to just start by acknowledging the traditional custodians of the land from which we're all working today, pay our respects to Elders, past, present and emerging, and extend that respect to all of our Aboriginal stakeholders and customers and colleagues.

We're very pleased to see you joining us today for this public hearing. Thank you very much for making the time, we really value your input and we're looking forward to hearing from you as we progress through the discussion.

I'd like to just make a few opening remarks. We have reviewed the Hunter Water operating licence and that's a licence that is due to finish on the 30th of June, and we've made some draft recommendations on terms and conditions for a new licence that would begin from the 1st of July.

Now before recommending a new licence IPART reviews the current licence to assess whether it's fulfilling its objectives. We may recommend changes to the licence for a range of reasons including to ensure it remains current, so that it doesn't impose undue burden without benefit, so that it reflects changes in community expectations and best practice and reflects Hunter Water and the Hunter community circumstances. So, our aim is to have a licence that works well for both Hunter Water and Hunter Water's customers.

On the 28th of February we published draft recommendations on a draft licence for public consultation and we also published draft recommendations on the customer contract and reporting manual and supporting this package we also published a draft report which provides our rationale for the draft recommendations.

So, the purpose for today is very much to hear your feedback, to have questions, have good discussion about the draft approach, and for myself and Tribunal Members particularly listening carefully to your feedback. We are looking for written submissions by the 8th of April and we would make final recommendations based on everything we've heard today, submissions to the Minister in May.

Now before we go any further, I have a few housekeeping things to attend to. We would ask that you keep your microphone muted if possible when you're not speaking, just to assist with everyone being able to hear the proceedings. We do encourage you to keep your camera on if your internet connection is not up to that, we certainly understand, but if you're comfortable it does help us to connect better, we believe if you've got your camera on. If you can please make sure that your name and if you are representing an organisation that your organisation is appearing on the screen with you and your camera on.

We do record public hearings. So, to ensure we've got an accurate record of the discussion we will be recorded, and it won't be made publicly available until after the event, but it will be recorded. We'll also have a transcription of the discussion today and we'll place both the transcript and a link to the recorded session on our website. Being a public hearing, everyone present today is free to publish and refer to what is said in this event and everyone is encouraged to share their views and ask questions throughout the whole hearing.

We're going to use the chat box in Zoom today so it would be great if you would just let us know if you've got a question by entering your details in the chat box. Alternatively, you can use the function in Zoom to raise your hand to ask a question when we come to Q&A and finally, I just like to remind everyone that you know we all have a responsibility to ensure it's a respectful environment today, so everyone feels safe to share their views.

Now I just do want to check if we have any people who are participating by phone today, who may not have all of that functionality to participate and Joyce will let me know I think if that's the case, and really on to the approach for today we had planned to give you an overview presentation of our recommendations.

I'm just looking at the number of participants and it's not clear to me necessarily where everybody is from, but what we would like to do is we're going to pop a quick poll onto the screen, and we want to give you the option as a group, as to whether or not you would like to see that presentation, or to make the best use of your time whether you would like us to move straight to a round table discussion.

So, our original plan was to take you through an IPART presentation and overview, and then move to a round table question and answer session, but if you would like to just look at the session structure poll box on your screen now, and select one of those options whichever one you prefer, will take your views into account in working out how we best use your time.

So, I will just give you a few minutes to do that and do let us know in chat if you can't see that poll. So, I'm just wondering how we're going with the responses to that poll, whether everyone needs to put in a response before we get the results. Okay, right, look what I can see from the results is that almost three-quarters of people would rather move straight to a roundtable discussion, but we do have quite a significant group again like 28% who would like to have the formal IPART presentation. So, I'm going to make the call that we will go to the presentation first, but we will try not to dwell on that too much, so that we can move to a round table discussion fairly quickly, if that's all right.

I think that's probably the best way to get the balance for people, so I'm going to introduce Gudny Palsdottir is going to take us through the presentation next and I'll hand over to Gudny and then my colleague Sandra Gamble will facilitate a roundtable discussion after that, so thank you.

1.2 IPART presentation

Ms Palsdottir: Can everyone hear me now, yes?

Ms Donnelly: Yes, thanks Gudny.

Ms Palsdottir: Alright thank you Carmel. So, I'll give a quick overview of Hunter Water as an organisation before we discuss our draft recommendations and for background for those that are not familiar with Hunter Water. Hunter Water provides drinking water, wastewater, recycled water and some stormwater services to a population approaching 600,000 people in homes and businesses across the lower Hunter Water regions. These are functions conferred on Hunter Water under the Hunter Water Act. An operating licence allows Hunter Water to undertake these functions.

The current operating licence is the 6th licence that Hunter Water has held. The licence is an enforceable instrument and it is subject to a compliance monitoring regime with penalties for contravention.

I will now take you through our draft recommendations. We will not be discussing all of our recommendations today, but only those that we think will be of most interest to you. So, do we have slide 9 Tom?

This slide provides an overview of our draft recommendations for quality and system performance standards in the licence.

We have recommended that the licence retains the current requirements for water quality, which is to maintain drinking water and recycled water quality management systems, consistent with the *Australian Drinking Water Guidelines* and the *Australian Guidelines for Water Recycling*.

The Hunter Water Act requires that the operating licence specify a water quality standard. Moreover, we consider it appropriate for the licence to regulate how Hunter Water manages the quality of water that it supplies to its customers. Water quality is a key matter of interest to Hunter Water's customers and safe water as a reasonable expectations from a water utility, particularly in the case of monopoly suppliers such as Hunter Water where customers do not have an alternative choice of supplier.

We considered whether the licence should specify different standards to the Australian Guidelines, but in the end that was not our recommendation. The Australian Guidelines include health-based targets that are consistent with those adopted by the World Health Organisation and by 93 other countries. We found that most of the available alternative standards that could potentially be specified, would largely impose similar requirements and would not provide a significant cost savings anyway. NSW Health supported retaining the Australian Guidelines.

Now I will take you through some of our draft recommendations for the system performance standards.

The Hunter Water Act also requires that the licence specifies system performance standards for service interruptions. The current licence specifies standards for water continuity, water pressure, and dry weather wastewater overflows because interruptions to water continuity or water pressure or having excessive wastewater overflows are all types of service interruptions.

The system performance standards represent the minimum standard that a customer can expect from Hunter Water. Hunter Water surveyed its customers to understand their expectations from their services. Other than water quality, customers expressed that they most value reliable water services i.e. water continuity and reliable water pressure as well as minimal wastewater overflows onto their private property. We have therefore recommended that we retain most of the standards in the current licence.

We have only recommended removing one of the current standards as we consider that a licence condition is not actually necessary to achieve the desired outcome. This standard is for multiple short unplanned service interruptions or one of the current water continuity standards. If there are regular unplanned service outages, Hunter Water has explained that it would tend to this quickly to minimise asset management costs, and possibly minimise early asset replacement. We consider this to be a reasonable way to manage multiple service outages and it does not need to be driven by the licence. However, we will continue to require Hunter Water to report on its performance so that we are able to monitor it. The reporting manual includes a performance indicator to report on multiple short unplanned service interruptions each financial year.

Finally, we have not recommended that the current service levels should be optimised. We consider that this is appropriate for the operating licence to focus on enforcing minimum service standards that the customer should expect. Hunter Water is able to perform above the minimum standard if it so chooses, and historically it has.

Our recommendation for the system performance standards have been informed by Hunter Water's cost benefit analysis and customer engagement work which we found to be robust and informative. And over to you.

Ms Allen: Sandra, were you going to give Hunter Water an opportunity to respond, no?

Ms Gamble: I'd rehearse for the other one.

Ms Allen: Yes, I know. That's alright Sandra.

Ms Gamble: So, Darren, or the team from Hunter Water would you like to make any comments initially on what you've just heard, and then I'll ask others if they'd like to ask questions.

Mr Cleary: Look Sandra, we're happy to be in your hands but also, we're quite comfortable. I think probably most efficient if you want to get through your presentation. I think we're then happy to provide a very brief summary of our position at that point, and then happy to participate in any further discussion, if that...

Ms Gamble: I think that sounds like a great idea.

Ms Donnelly: Yeah that sounds very good Darren so we might just get the team to step through the presentation and then come to you, thanks.

Ms Palsdottir: Right and I'm back on. Alright, so then I'll take you to the next slide. So, we're on slide 10, yes thank you Sandra and Darren. This slide provides an overview of our draft recommendations for water conservation and water planning in the licence.

Water conservation and planning are not specific requirements in the Hunter Water Act, but they are integral to the efficient investment in the long-term interest of customers. The challenges that face water utilities in addressing climate change and catering for an overall hotter, dryer climate mean that thoughtful, effective and efficient investment in water conservation and planning is critical.

Hunter Water is a vertically integrated utility responsible for bulk supply to itself, with ultimate responsibility for management of regional supply shared with the Department of Planning and Environment, or DPE.

The current licence imposes different water conservation requirements from catchment to treatment, and then from treatment to customers. During the current licence term, Hunter Water had to develop a Water Conservation Strategy and a water conservation work program based on that strategy for upstream of its water treatment plants. But downstream while a water conservation program is required again, the licence requires an economic approach.

The current licence does not require an economic approach upstream of water treatment plants because in the previous licence review, stakeholders raised concern that applying an economic approach would create unintended consequences given the lack of available cost and benefit data on natural assets and the complex nature of the natural transmission system.

For the licence, we have recommended licence conditions to implement the water conservation work programs that Hunter Water developed during this licence term across its supply chain.

These conditions are intended to be replaced when the NSW Government Water Efficiency Framework is developed. At which time, Hunter Water must develop a water efficiency plan to replace its water conservation work programs.

Finally, we have proposed some new licence requirements for Hunter Water to undertake long-term integrated water cycle management planning and implement activities under the Lower Hunter Water Plan or the Lower Hunter Water Security Plan when published, together with DPE.

We have also proposed licence conditions to develop an emergency drought response plan and deliver any actions specified in that plan. The plan would reflect NSW Government policy. Making the plan available to Government would be useful to inform DPE's water planning for NSW.

And we will continue, and I will hand over to Mamata, to look at customer related requirements.

Ms Titus: Thank you Gudny. I'll take you through the next part of that presentation. So, it's a slightly longer part so please bear with me.

The current operating licence includes terms and conditions and a Customer Contract, that aim to ensure that a minimum level of customer service is provided to Hunter Water's customers.

The Customer Contract is between Hunter Water and its customers - who are the landowners of properties connected to Hunter Water's services. The Customer Contract provides important customer protections.

We have largely accepted Hunter Water's proposed changes to the current Contract. We did propose some additional changes of our own. For example, we have sought to acknowledge those customers with non-standard connections that do not have separate agreements with Hunter Water. These customers are deemed to have entered the Customer Contract but, in some instances, may not have been effectively covered in the past.

We've also proposed to expand the current licence requirements that extend provisions of the Customer Contract to consumers such as tenants using Hunter Water's services that are not usually party to the Contract because the contract is with the landowner. We think it is important to protect consumers as well.

Other than a new licence requirement to implement a family violence policy, we have not proposed significant changes to the current licence in this customer protections area. We recommend retaining the requirements for an internal complaint handling procedure, providing assistance options for customers experiencing payment difficulties and providing information on EWON (who is the Energy and Water Ombudsman of NSW). Hunter Water requested more flexibility in the licence when it comes to external dispute resolution. We have therefore proposed in the draft licence that Hunter Water can become a member of a different external dispute resolution scheme with IPART's approval.

Finally, we have proposed to replace the current prescriptive requirements for a Customer Advisory Group with more outcomes-focused requirements to consult customers and consumers more generally. We have specified some prescription to develop and comply with the procedure for undertaking this consultation, and to periodically review it. We consider that this level of prescription is appropriate for a new licence requirement to allow us to effectively monitor Hunter Water's performance.

I would like to clarify that Hunter Water can continue to use its Customer Advisory Group to consult its customers if it considers this to be worthwhile, and it will not be in breach of this new licence condition. The licence simply would not require the Customer Advisory Group anymore.

Alright, if we now move on to the next section.

This slide provides an overview of our draft recommendations for a few areas of the licence. I will start with our recommendations for maintaining and complying with organisational management systems, including asset, environmental and quality management systems, and then move on to engaging with other stakeholders.

The current operating licence requires Hunter Water to maintain and implement the 3 organisational management systems. A common benefit that we observe with all 3 systems is that they help Hunter Water ensure a cohesive business working towards common objectives and minimising barriers between business units or operations.

An asset management system (AMS) is essential for long-term safe operations, noting that Hunter Water operates critical assets that provide essential services to customers. We rely on the licence condition requiring the asset management system to monitor Hunter Water's performance against its system performance standards, which are impacted by how well Hunter Water manages its assets.

In the Issues Paper we did query whether the licence requirements for the environmental and quality management systems were still necessary as we considered that the same outcomes can be achieved without the licence requirements, however stakeholders did not support removing these licence conditions because of the benefits that these management systems provide.

The Environmental Management System (EMS) is consistent with industry best practice for minimising the risk of harms in the environment and it is a useful tool to help Hunter Water to adapt to climate change and meet its environmental obligations.

The Quality Management System (QMS) provides system elements that complement other management systems, licence clauses and regulatory instruments. It helps integrate Hunter Water's functions and operations.

Licence conditions for these 3 management systems help ensure that Hunter Water will maintain them even if its organisational culture and current commitments change over time. They also reflect the criticality of the system in supporting Hunter Water's function.

Now, I will discuss our draft recommendations for engaging with government stakeholders specifically NSW Health, DPE and Fire and Rescue NSW.

We have recommended retaining the current requirements to maintain and comply with memoranda of understanding (or MoUs) with these 3 stakeholders. These MoUs provide benefit as they support the stakeholders to achieve mutual objectives. Hunter Water's support is critical for the government organisations to be able to undertake their roles effectively.

We have also proposed that Hunter Water's working group with Fire and Rescue NSW could include other organisations such as the Rural Fire Service. We have not required that the Rural Fire Service must be involved so that Hunter Water can consider if and when it is appropriate to involve them or in fact other organisations.

My final presentation for this topic is about our recommendations for regulating Hunter Water's interactions with its current or potential new competitors.

We have proposed licence conditions to require Hunter Water to negotiate with competitors in good faith, to cooperate with them when they seek to establish codes of conduct and to provide servicing information to competitors.

These proposed licence conditions aim to provide other water utilities with enough information to enable them to make decisions about investments before committing to the investment and they generally seek to protect the utilities when negotiating with Hunter Water who has the market advantage of the incumbent utility.

However, they are not intended to require Hunter Water to make concessions during negotiations or to pressure Hunter Water to reach an agreement that it is not comfortable with. We propose to define 'good faith' in the licence in a way that makes this clear.

We would also like to clarify that the proposed condition to negotiating good faith is specifically for the provision of Hunter Water's services to other utilities. Hunter Water's services include water, wastewater and stormwater drainage services. The condition therefore refers to negotiations Hunter Water may provide services as a wholesale retailer and the other utilities are wholesale customers.

Now I will move on to our final topic before we can go on to the question and answers session. Now so to wrap up our presentation today, I'll discuss our proposed changes to Hunter Water's reporting requirements.

During the review, we considered whether the reporting requirements we are recommending are the minimum necessary only. For this reason, we have recommended removing many of the current annual reporting requirements which are prescriptive and extensive. These annual reports are mostly only provided to IPART to assist us in monitoring compliance. They are not made public.

We consider that a more effective and less burdensome way to achieve the same outcome may be to require Hunter Water to provide exception reports on non-compliances only. Hunter Water already does this through an annual statement of compliance. We have just proposed some additional prescriptions so that we continue to retain some of the valuable compliance information we currently receive but reduced to focus on non-compliances only. Hunter Water can provide these exception reports as an addendum to its annual statement of compliance if it chooses to do so. The proposed exception reports are not intended to be duplicative.

We have not proposed to remove the prescriptive annual reporting for water conservation and water planning as this information is valuable not only us but to DPE, as well particularly given that we have proposed some new licence conditions in this area.

Finally, we've also proposed to retain annual reporting against performance indicators to allow us to monitor Hunter Water's performance trends. This is probably even more important now that we are proposing to reduce the other reporting requirements. Thank you, Sandra.

1.3 Hunter Water response

Ms Donnelly: Sandra, I think you're on mute. So over to you to see if Hunter Water would like to

Ms Gamble: Yes.

Ms Donnelly: And then we'll just do roundtable.

Ms Gamble: I was going to thank Mamata and Gudny for a great presentation and explanation. So, Darren would you like to give us your thoughts so far?

Mr Cleary: So far yes thanks Sandra. I'm happy to give a brief overview of Hunter Water's position and then obviously answer and participating in your discussion and answer any questions that may be directed to us.

Look, overall I think I want to acknowledge the process that's been run so far with the licence review. You know from Hunter Water's perspective we think it has been a transparent and robust process, it's been responsive to stakeholder and you know community views, and overall, we're supportive of the draft licence. We think that it does set appropriate standards for Hunter Water and that it has genuinely considered the regulatory burden that the licence applies to us and tries to minimise that where possible. So, overall, we think that it is a fair and equitable outcome for our customers and we're supportive of the conditions of the licence.

I think it's also worth acknowledging that the pick of the performance standards, they are minimum standards and we think that as has been expressed and discussed previously, that the right forum for considering the optimisation of service standards and service outcomes for our customers and community is as part of the price determination process. So, acknowledging this is about minimum performance standards and that that process we believe does sit best in the price determination process, where the trade-offs between various service standards and within the constraints of affordability, can be appropriately considered.

As I said we're comfortable with the recommendations with the draft licence, don't have any major concerns or comments there's some detail which certainly our team will continue to liaise with the Secretariat on, but they are really relatively minor issues in some of the drafting of the licence.

I'd just like to reflect quickly on 3 of the issues that have been raised with respect to the water conservation requirements and the reporting on water conservation. We're supportive of the obligations that are in the operating licence. We would note that we already have a governance process in place with respect to the Lower Hunter Water Security Plan that includes a monitoring evaluation reporting and implementation framework. That's being set up by DPE so we'll certainly be looking to how we can work with DPE and with IPART so that the reporting requirements and operating licence mesh with that governance arrangement as well and there's not duplication across. We don't have any concerns with the way the operating licence is written. It's more about the implementation and working with DPE and IPART about how that is done.

With respect to integrated water cycle management that we definitely support the approach that has been taken in the operating licence to put that as a requirement in the MoU with DPE to work out how that would apply to Hunter Water.

We're very supportive of the principles of integrated water cycle management. We're very keen to play a proactive role in encouraging that which we think it does. The principles of integrated water cycle management have the potential to deliver real benefits for our community.

We'd also note that many of the barriers or challenges around integrated water cycle management are institutional and regulatory and Hunter Water's role in those settings particularly around strategic land use planning and the requirements about what happens when a lot is developed, we have very limited influence on. So, variance we think that the setting is done appropriately that it should be done through the MoU with DPE and noting the DPE controls or has the most influence over many of those regulatory settings. So keen to work with them about the role that Hunter Water would play and can continue to play integrated water cycle management.

With respect to community engagement, we're very supportive of the requirements in the operating licence for Hunter Water to develop a procedure or a strategy for how we engage with community, that the obligation has put on us to come up with a strategy, and to deliver on a strategy for how we engage with our community and our customers, and how we do that in a comprehensive and ongoing way.

Certainly, as has already been noted the Customer Community Advisory Group, that sort of forum we see value in and certainly we welcome the opportunity to not just do that, but look at other forms of ongoing engagement and also have the ability to evolve that sort of arrangement, and we do see that there will be an ongoing need and value in having a forum similar to our current Customer Community Advisory Group, but the way the licence is written allows us to change and evolve that arrangement to best suit what we're hearing from our community, and adjust to changing community and stakeholder expectations as they inevitably do evolve. They're the key points that I really wanted to make so I'm happy to take any questions now and obviously with the team here to answer any other queries that there may be for Hunter Water.

1.4 Q&A Roundtable discussion

Ms Gamble: Darren I think you raised 2 of the points that we thought might come up. One is the MoU with DPE and the work around that, and the other one is consumer engagement. So, thank you for that.

I was just wondering if I could ask you a question on the consumer engagement. You did a bit of consumer engagement to put forward your submission on this. Can you tell us a bit about that because we've been very interested to read that consumer engagement material and what did you learn, and sort of how did it influence your submission?

Mr Cleary: The engagement we did which lead to the willingness to pay work for various service standards. It was originally started with what the customers value around our service and that did provide rich information for us around what was important to our customers and community in terms of the service that we provide. And in many cases it reinforced what we what we anticipated, or we thought we knew, but it's very powerful to have some more quantitative data around what is important to customers and community.

So, it gave us some further insight about for example, as is reflected in the work we've discussed on service standards. The customers are more concerned and value the avoidance of long-term interruptions, as opposed to the sort of much shorter duration interruptions.

Customers clearly are concerned about the impact of wastewater overflows on their property and the environment. Even though it is something that doesn't occur very frequently for most customers, when it does occur it's clearly a major a major impact.

Many of the values that came out of the work inform not just the service standards that fit into the operating licence, but it's also fit into informing our broader strategic and planning work and how we provide our services and is also being a key foundational piece to then what's going into the work that will be part of our next pricing submission. Look that's a brief overview I certainly have the team who ran that work is also online if there's any more detailed questions with respect to that.

Ms Gamble: Okay well that might come up because other stakeholders may raise similar questions, but at this stage I might throw it open to other participants in the forum, and when you want to ask a question can you just raise your electronic hand and when you start speaking just identify yourself and the organisation that you're from, and don't rush. Okay right, I don't see any hands up so that's okay. I have a plan.

Ms Allen: I think we've got one Sandra from Michael, A hand up from Michael English, do you want to go ahead Michael English?

Ms Gamble: Michael English, okay, alright I haven't spotted that, please go-ahead Michael.

Mr English: No problem, I was quick to volunteer. There's probably clarification rather than a question, particularly on the water conservation one. So, as I understand it, we've got the obligation about having an economic approach continues and if the Minister comes up with a different framework to what we have now, or what Hunter Water has now, then that becomes the new requirement.

I wasn't sure how that exactly interacted with the Water Efficiency Plan that may follow those 2 things, probably because I'm not really familiar what the Water Efficiency Plan may require of Hunter Water or us and just a bit concerned that there might be a little bit of a compliance trap in that if the Water Efficiency Plan has requirements in it that we have to follow. But if you put one or more of those requirements through an economic method, and it spits out an answer that they weren't economic, we're kind of caught either way.

So, I wasn't quite sure how those 2 things interacted and whether this part of the transition perhaps is that once the Water Efficiency Plan requirements are in the place, that's it sort of thing and the broader economic approach requirement sort of falls away, but I wasn't clear how that sort of worked.

Ms Gamble: Okay well thanks so Michael for that question and I might throw to Mike Smart from IPART and give him the opportunity to answer this question.

Mr Smart: Hi, thanks Sandra. I'm not sure that I can really answer that, but I think what you're saying is that your concern is that maybe the water efficiency plan might introduce conservation requirements that haven't been subjected to a cost benefit test? Is that what you're asking about?

Mr English: Essentially yeah. I'll write it right down.

Mr Smart: Well without really knowing the detail of what's in the water efficiency plan and what is the method of constructing it, I'm not really in a position to answer that.

Mr English: Yeah, I'm just worried we might be caught down the track so if we don't follow the water efficiency plan where we get a non-compliance there, but we've maintained an economic approach or if we follow the plan, and then an auditor either one of IPART's auditors or even the Audit Office or someone else comes along and says gee I don't looking at that particular program, if you plug it into the economic method, it doesn't come out as economic. I can see Ash might step in here and say it's all going to be fine, but I'm just still a bit nervous that you know we're setting ourselves up for a little bit of a trap.

Ms Gamble: Okay so Ash from DPE would you like to make a comment on that?

Mr El-Sherbini: Yeah, thanks very much Sandra and before I get to that I just also like to thank IPART for the work on the operating licence and specifically picking up a couple of those really key changes from the NSW Government submission, one of which is the water conservation and efficiencies.

To respond to Michael's question and concern, I think I'd like to relay our vision and intent of how that would work. Firstly, for those who aren't aware under the NSW Water Strategy, DPE Water is developing a state-wide water conservation program. The intent of the program is to support all, and any water utilities invest in water efficiency and conservation and signal the importance of that work in light of the challenges that you know we continue to face in terms of climate change and growing population.

Going specifically to the drafting of the licence the intent is once we finalise the program which is underway at the moment, it will include an economic method, so we're not, I just wanted to be really clear that we're not proposing that there'd be no economic assessment of water conservation, that is definitely not the case. We instead, what we're proposing is that that economic assessment perhaps be broadened to look at other strategic drivers and particularly be conducted alongside comparing water efficiency to other supply side augmentation and other options available to the utility.

That framework then can support the development of the water efficiency plan. So, Michael it's when it's not the intent isn't that the water efficiency plan will be written and then the water efficiency framework would come after and then they might be at odds with one another.

And I'd also just want to call out and the Hunter Water team might want to comment on this but as part of the development of the Lower Hunter Water Security Plan, there's been a lot of thought already given to the appropriate level of water efficiency vis-a-vis other water resilience options that are in there. So, hopefully that provides a little bit more clarity but happy to take any additional questions.

Ms Gamble: Okay, well does that satisfy your question or would you like to ask Ash some more?

Mr English: No that's a good answer. I'll trust Ash.

Ms Gamble: Okay, and the Hunter Water team?

Mr English: It is just in the final drafting, to make sure it works out just in the final drafting. When IPART's putting the final licence together, just to make sure it does hang together. Because there's always the potential that there might be, you know someone might get creative and find a gap so.

Ms Gamble: Okay.

Mr English: But yeah, it sounds like they're definitely not an intention to have any gaps, but yeah.

Ms Gamble: Well do you do you have any concerns with the current draft in terms of drafting, any particular concerns or you're just encouraging us to have a look at that, okay. Thanks Michael. Just to quickly ask Hunter Water did they have any comments they wanted to make about that.

Mr Cleary: So I said I'll throw to Peter, I know he's got his hand up, but just quickly I think the key thing from our perspective with this plan, which I know we've been, you know my team's been talking to Ash about, is that it also needs to be an outcomes focused plan that is reviewed every 12 months. I mean one of the key things with water efficiency is we are dealing with behaviour change at scale, and so you know programs, the outcome of programs is uncertain, and we need to learn as we go around what is effective and what isn't effective.

So, certainly we don't view this as a plan that we write and then implement over 5 years without it being changed. It needs to be adaptive to the situations in front of us and as we're seeing now with a very wet period, the effectiveness of certain conservation campaigns is a lot less than it normally would be because it is so wet. So, our programs need to adapt to that.

So I know we're talking Ash about that, he's supported that approach we need to make sure that the drafting allows for that adaptive nature or a plan, and I think that goes a long way to addressing some of the concerns that Michael was potentially expressing. But you know I might to you as well.

Ms Gamble: Peter Shields.

Mr Shields: Yeah, I was just going to make a similar point. It's not a 5-year plan, it's a plan that's updated every year with a 5-year outlook and looks back a year and we do that currently with our water conservation work program. So, it's combining that element with elements of the, well at the moment the draft licence expressed as the water efficiency framework, which is more a process for assessing individual projects and initiatives.

I guess we you know there's work to do here over the next few weeks just to settle the right set of words for the for the licence. We need to work with DPE on the correct terminology and when things will be done by. We're also keen to, we do have a current economic method our ELWIC method, we think that's a robust method, there are certainly areas for improvement. But water conservation is more than just those initiatives and activities and projects that you put through a strict cost benefit test. There's other reasons that you dedicate effort and resources toward conservation.

The water efficiency plan would document all of those in things and explain those things. So, I think we're almost there, I just need to work with DPE, you and IPART Secretariat to clarify the wording over the next few weeks.

Ms Gamble: Yeah and I think your point about it being a living document is important, you know the economics of efficiency and other things is changing all the time. I sat in on NSW Circulars Summit this morning and learnt all about hydro loop which could revolutionise water efficiency. So, yeah really interesting. Okay, Ash you've got your hand up again, so I'll throw back to you.

Mr El-Sherbini: Yeah, I was just going to close that loop with a quick comment to say that absolutely, echo both Peter and Darren's comments that it is an adaptive and evolving plan and it's not expected to be set in stone for 5 years. In fact, we wouldn't expect it to be sandstone for 5 years.

And the other thing I just wanted to also call out is like it's important to acknowledge the great work that Hunter Water has done in water conservation, efficiency and leakage over the past 4 or 5 years. And this is about the NSW Government applying a standard approach across the state, which is fit for purpose to each utility, but has some principles that are common.

So this is the first opportunity where we're putting the hooks into the licence as the framework is being finalised, rather than, I just wanted to I guess make it clear that this isn't a Hunter Water specific initiative, but we'll be having the same conversation with Sydney Water during their operating licence review.

Ms Gamble: Okay, thank you. So, let's move on then, does anybody else have another comment or question and...

Ms Donnelly: Deb.

Ms Cope: Sandra.

Ms Gamble: Sorry. Deb, do you have a question, Deb sorry?

Ms Cope: It wasn't so much a question I was thinking if you're getting close to the end, I just wanted to commend Hunter Water on the quality of some of the material that came through in their response to this licence review. In particular, the cost-benefit work and the community consultation work and just to say that that had quite a significant influence on where we landed on the licence terms and conditions, because we felt that we had confidence in what you were proposing because of the quality of that background work so congratulations, yeah it was a really good effort.

Ms Gamble: Thanks for those comments, Deb. Peter, would you like to say anything about that I saw your light go on.

Mr Shields: Emma Turner and our team ran that, and it was a two-and-a-half-year project, so it wasn't just a submission at the end. It was a 2-stage piece of work and we worked with consultants on the first level, the first step, which is the service levels work which still provides a great foundation base for us getting into our proposal about what's important for our customers. And then working with CIE on a choice experiments, to try and put some benefits on reducing or put some benefit dollar values on reducing interruptions. So, Emma did a great job. It is written up quite briefly in the report, but you've accepted our full proposed licence standards and the actual settings. But yeah, we appreciate that, and yeah there is a lot of substance behind that work.

Ms Gamble: Emma, would you like to comment on that a little bit more Emma Turner. You know, the journey, what you learned, what works, what doesn't.

Ms Turner: Sure, I found it a really fascinating project to have the privilege to work on. When we knew that there was going to be quite a strong focus on review of the system performance standards, we went right back to first principles and said well, do these standards reflect things that are important to our customers, that are most valued by our customers.

And so, we really almost started with a clean sheet of paper to say to customers what are all the different ways that we can interact with you, and that we can affect your lives, tell us in your words how important they are.

So, we started off with qualitative engagement. We were about to go and do focus groups when COVID hit, so we moved to an online bulletin board we had 50 people participate which was fantastic over 3 days. Sounds like a lot, but they were only expected to participate for about half an hour a day and got incredibly rich information. We also had one-on-one interviews with customers that have recently interacted with us, to see whether their issue had been addressed, what we could have done differently, what they'd like to know about, so things like if they've had a water quality issue, would they prefer we'd done something differently, and we heard things like maybe if you just explained to me how you managed to resolve it in case it happens again. So those types of issues were really insightful.

Then we moved on to a more quantitative phase, where we actually involved a bit of a ranking exercise and we looked at what was actually contributing to customer satisfaction. What I found interesting there was that while most people felt we did a really good job, and that as long as clean water comes out of their tap and their wastewater goes away, they're generally happy. There is actually a small proportion of customers that are really dissatisfied, and I think even though it's a very small proportion, that tells us some really key information about how we can make their lives a lot better.

So, I think probably key lessons out of that from me was not just going in with assumptions about what the system performance standards would be but go back and hear from customers what's important to them. What we did find was that some non-residential engagement continues to be really challenging for us. So that's something we've got to work through for the next price submission.

And I think chunking things down into stages, so being able to do the first part, then saying okay well which things are more suitable for a licence, which are more suitable for say an overall pricing package that tells people what do I get for what I pay. So, there's more things that we'll be able to leverage that information for coming into the next price review and we're really looking forward to having this continued focus on better understanding our customers and working out what the best value proposition is for them going forward.

Ms Gamble: Okay, well you've set the benchmark so well done.

Ms Turner: Thank you.

Ms Gamble: Okay that's good and sounds like the information might be useful in other ways as well, yeah great. Okay, so we've heard from Hunter, Sydney, DPE, Hayley from EWON, do you have any special comments or questions, you're welcome to say no.

Ms Gill: Yeah, look I don't think it's so at this stage and we will make a further submission but it's just on some of the finer details of what's in the licence and contract.

Ms Gamble: Okay right, well thank you.

Ms Gill: Thank you.

Ms Gamble: Okay so I'll just give people, Michael you've got your hand up again what can I do for you, Michael English?

Mr English: Yeh, Michael English from Sydney Water. I just had a quick probably clarification question about the publishing of service information for competitors. Given the reintroduction of developer charges and there's quite extensive obligations in there obviously to publish details of what we're intending or gaps in the system in terms of capacity and our investment plans for servicing growth.

I was just wondering if there is potential that if we've complied with the requirements of the developer charge determination, would that be recognised as meeting the requirements to publish servicing information, given there's a significant overlap between the two.

Ms Gamble: Yeh, I think we do need to work through that. Anyone from the IPART team keen on making any comment. I think it's early days yet on that front.

Ms Allen: Yeah potentially Sandra, but as you said it's something we'll need to look at a little bit more closely but thank you for raising it Michael, and it's something we'll consider largely to ensure that there's no conflict, but if there is a complete overlap, there's no reason why it wouldn't satisfy a licence condition if it sort of produces the same information. I don't think the licence condition necessarily dictates for what purpose you'd publish it or under what framework, so we'll give that some attention and thought.

Ms Gamble: I think the message we're getting from you Michael English is making sure that the licence dovetails nicely into some of the other activities that are going in relation to water efficiency, pricing and developer charges. Good, thank you.

Mr English: And I guess there's always there's always a chance I guess that the government may even backtrack on developer charges touch wood that doesn't happen but I guess that's one reason for keeping it in the licence might be to cover that possibility but yeah.

Ms Gamble: Okay thank you. Okay one last chance anybody got any comments or questions to finish off with, no well in that case I might hand back to Carmel.

1.5 Closing remarks

Ms Donnelly: Okay thanks Sandra and thank you everybody. I would like to on behalf of IPART thank you very much for participating today. Now we are always interested in improving our public hearings and adapting to what will be the best use of people's time, so you're going to see another quick poll appear on your screen and we really be grateful if you give us your feedback. I have found this very useful; it's been good to have the opportunity to hear any further issues that we need to consider before we come up with the final recommendations.

I will speak just briefly about what will happen next. We will put a transcript of today's discussion and a link to the recording on the IPART website. Importantly, we will consider everything that's been said today in making our final decisions about recommendations.

Obviously, we are also going to be giving a thorough consideration to submissions and we would appreciate you getting your submission to us by the 8th of April. Then we will prepare final recommendations to the Minister in May. Now in the meantime, I do invite you if you have any questions or you'd like to engage with us to contact the IPART Secretariat our team their contact details are on the website with this review, also on the inside of the Draft Report and I think with that we are about ready to close, so let me just thank you once again it's been very helpful to have the discussion thanks for making the time and I hope you have a good afternoon, thank you.