

**Workshop for the Review of Hunter Water's Operating Licence  
Tuesday 20<sup>th</sup> November 2001**

**AGENDA**

<b>Item No</b>	<b>Time</b>	<b>Topic</b>	<b>Detail</b>
	9.30am	Tea & Coffee provided	<ul style="list-style-type: none"> <li>• Registration</li> </ul>
	10:00am	Introduction and proceedings for the day	
1	10:10am	<b>Review process and background</b>	<ul style="list-style-type: none"> <li>• History of Licence</li> <li>• Sydney Water's Licence &amp; Contract</li> </ul>
2	10:20am	<b>Customer Service Issues</b> <ul style="list-style-type: none"> <li>• IPART presentation</li> <li>• Round table discussion</li> <li>• Open discussion</li> </ul>	<ul style="list-style-type: none"> <li>• Framework – Licence, Contract, Pamphlet, Indicators</li> <li>• Limitations &amp; Proposal</li> </ul>
3	11:20am	<b>System performance standards &amp; Indicators</b> <ul style="list-style-type: none"> <li>• Halcrow Consulting – Keith Hall</li> <li>• Round table discussion</li> <li>• Open discussion</li> </ul>	<ul style="list-style-type: none"> <li>• Framework &amp; measurement</li> <li>• Water systems – continuity &amp; pressure</li> <li>• Sewerage – overflows &amp; treatment works</li> <li>• Stormwater</li> </ul>
	12:30pm	LUNCH	
4	1:30 pm	<b>Demand Management &amp; Drought Security</b> <ul style="list-style-type: none"> <li>• Halcrow Consulting – Keith Hall</li> <li>• Institute for Sustainable Futures – Stuart White</li> <li>• Round table discussion</li> <li>• Open discussion</li> </ul>	<ul style="list-style-type: none"> <li>• Security of Supply standard</li> <li>• Demand Management inc Leakage, Water Conservation</li> </ul>
5	2:30 pm	<b>Environmental Issues</b> <ul style="list-style-type: none"> <li>• IPART presentation</li> <li>• Round table discussion</li> <li>• Open discussion</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Plan</li> <li>• Environment &amp; ESD Indicators</li> <li>• Energy Management</li> <li>• Catchment Management</li> </ul>
	3:30 pm	AFTERNOON TEA	
6	4:00 pm	<b>Other Issues arising from review</b> <ul style="list-style-type: none"> <li>• IPART presentation</li> <li>• Round table discussion</li> <li>• Open discussion</li> </ul>	<ul style="list-style-type: none"> <li>• Water quality</li> <li>• Mid term &amp; end term reviews</li> <li>• Operational audits &amp; reporting</li> <li>• Memoranda of Understanding</li> </ul>
	4:45 pm	Concluding remarks	
	5:00 pm	FINISH	

## **Purpose of the workshop**

The Minister for Energy has requested the Independent Pricing & Regulatory Tribunal (Tribunal) to review the Operating Licence of Hunter Water Corporation and to recommend terms for a new Licence which is to commence on 1 July 2002. As part of the review, the Tribunal is to consider the adequacy of Hunter Water's and customers' obligations under the Customer Contract. Conditions for the Customer Contract will be negotiated following approval of the new Operating Licence by the Minister.

The workshop is being held as part of the Tribunal's public consultation process to;

- obtain comments on the issues of concern to stakeholders
- discuss recommendations through structured discussion.

As this is a public process, the transcript of the workshop will be made available for public access on the Tribunal's website, [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

## **Format of the workshop**

Tribunal member, James Cox will chair the discussion. Members of the Secretariat will introduce each topic, and then participants on the round table will have the opportunity to present their position. In order to ensure that discussion proceeds smoothly and all the topics for discussion are covered, the Tribunal requests that:

- each speaker is limited to 5-7 minutes for each topic
- during this time, speakers are not interrupted
- only one representative of each participating organisation speaks per topic.

A general discussion, questions or comments from the floor will be heard at the discretion of the Chair following contributions from the invited participants. Additional matters can be discussed once the group has worked through the listed topics.

While the Tribunal requests that each participating organisation only nominate one representative, other representatives and observers may sit in the public gallery. Stakeholders in the gallery are able to attend the sessions that they have an interest in. There is no requirement to attend the whole day.

## **Agenda**

Discussion will broadly cover issues raised by the Tribunal's Issues Paper and submissions received by the Tribunal (available on the website [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)). The attached agenda outlines the session times. The workshop materials provide the main points for discussion and follow the order of the agenda.

MATERIALS FOR WORKSHOP  
INDEX

Item	Time	Topic	Page
1	10.10am	Background	2
2	10.20am	Customer Service Framework	3
3	11.20am	System Performance Standards	6
4	1.30pm	Demand Management & Security of Supply	10
5	2.30pm	Environmental Requirements	13
6	4.00pm	Other Issues	16

## 1 BACKGROUND

The role of an Operating Licence is to ensure that customers are adequately protected from abuses of monopoly power. This can be achieved through legally enforceable minimum service standards and performance obligations in the Licence.

The Licence is subject to annual audit and the results of the audit provide public information on the utility's performance.

The Hunter Water Corporation Operating Licence was granted in 1991 and has been renewed several times, however the current term has expired.

The Tribunal is required to review the Licence of Hunter Water in light of its regulatory environment and the recent reviews conducted for the Operating Licences for Sydney Water Corporation and Sydney Catchment Authority. The Tribunal is to report terms for a new Licence by 1 March 2002, with a view to implementing a new Licence by 1 July 2002.

This review will recommend terms for all aspects of the Licence, including;

- terms, conditions & obligations
- system performance standards

The review of the terms of the Customer Contract will be deferred until the conditions in the Operating Licence have been approved by the Minister.

The Tribunal has employed Halcrow Management Sciences Ltd to assist in the review of the System Performance Standards and Customer Service Indicators.

## 2 CUSTOMER SERVICE FRAMEWORK

A fundamental principle of the *Operating Licence* is to protect the rights of customers who rely on monopoly services provided by Hunter Water. This can be achieved through core conditions in the Licence and via the *Customer Contract*, a legal contract between Hunter Water and its customers.

A *Customer Pamphlet (or Customer Charter)* is a means of communicating the most significant elements of the Customer Contract to customers as well as providing contact information. As part of the customer service framework, Hunter Water may produce *publications* to inform customers of policies and services available.

*Indicators* for customer service can measure performance and satisfaction. Sydney Water has recently been required to collect indicators on customer service such as the number of disconnections per annum, complaints, time to respond to queries.

### Sydney Water's Customer Service Framework

In 1999, Sydney Water's Operating Licence was reviewed and requirements for customer service were strengthened. The table below summarises these requirements.

<i>Instrument</i>	<i>Requirement for;</i>
Operating Licence	<ul style="list-style-type: none"> <li>• Aggregate System Performance Standards (water &amp; wastewater)</li> <li>• Code of Practice and debt &amp; disconnection procedures</li> <li>• Customer Council Charter and provisions for membership (result of negotiations between Sydney Water &amp; PIAC)</li> <li>• Internal dispute resolution process including complaints handling</li> <li>• External dispute resolution procedures</li> <li>• Legal rights for consumers in relation to complaint handling &amp; dispute resolution</li> <li>• Customer Contract</li> <li>• Explanatory pamphlet</li> </ul>
Customer Contract (under review)	<ul style="list-style-type: none"> <li>• Rights and obligations of customers and Sydney Water</li> <li>• Disconnection &amp; restriction</li> <li>• Rebates &amp; compensation</li> </ul>
Pamphlet	<ul style="list-style-type: none"> <li>• Summarise rights &amp; responsibilities under the Contract</li> <li>• List of contacts and local offices</li> </ul>
Customer Indicators (submit to IPART)	<ul style="list-style-type: none"> <li>• Time to respond to customer complaints</li> <li>• Time to answer telephone calls</li> <li>• % of properties receiving bills based on a reading</li> <li>• Time to respond to account queries</li> <li>• Number of disconnections, restrictions and debt recovery action</li> </ul>

## Hunter Water's Customer Service Framework

Hunter Water's Operating Licence and Customer Contract have remained virtually unchanged in regard to customer service provisions since 1991. A summary of the current framework for Hunter Water is shown below;

<p><b>Operating Licence</b></p> <ul style="list-style-type: none"> <li>• Aggregate system performance standards for water continuity, pressure, sewerage overflows and security of supply</li> <li>• Requirement to liaise with customers via an annual survey and develop a consultation process</li> </ul>	<p><b>Customer Contract (<i>schedule to Licence</i>)</b></p> <ul style="list-style-type: none"> <li>• Rights and obligations of Hunter Water &amp; customers</li> </ul> <p><b>Customer Charter (<i>voluntary</i>)</b></p> <ul style="list-style-type: none"> <li>• rebates</li> <li>• response to service interruptions</li> </ul> <p><b>Publications (<i>voluntary</i>)</b></p> <ul style="list-style-type: none"> <li>• Complaints handling policy</li> <li>• Customer Care booklet</li> </ul>
--	--

### Limitations with framework

Under the current Licence there are limited legal requirements for customer service. There are no obligations for:

- An internal dispute resolution scheme, nor are there reporting requirements on the types and number of complaints.
- An external dispute resolution scheme (such as the Energy and Water Ombudsman NSW) or reporting requirements on complaints which require external resolution.
- Consumers (as opposed to customers). To ensure that consumers are given rights in relation to complaint handling and complaint resolution.
- A code of practice and procedure on debt and disconnection.
- Consultative Forums. There are no requirements for the role, process and composition of these forums. The Licence requires Hunter to consult with its customers at regular intervals, and to conduct and publish an annual customer survey.

The current form of the Customer Contract is weighted towards Hunter Water's rights, and as a result customers rights are not adequately represented. The requirement for customer rebates is not part of the contract and is provided as a voluntary arrangement provided under the Customer Charter, which is not a legal document.

## Proposal for Hunter Water Corporation

The Tribunal's proposal for customer service is to strengthen the existing regulatory framework for Hunter Water. The limitations identified above could be addressed by adopting the following additional requirements.

<i>Instrument</i>	<i>Additional requirements;</i>
Operating Licence	<ul style="list-style-type: none"> <li>• Internal dispute resolution process including complaints handling. Reporting requirement on types and number of internal complaints.</li> <li>• External dispute resolution process (such as joining the Energy and Water Ombudsman NSW). Reporting requirement on types and number of external complaints.</li> <li>• Code of Practice and debt &amp; disconnection procedures. An obligation to be included in the Licence.</li> <li>• Customer Council Charter and provisions for membership (could be achieved by negotiations between Hunter Water &amp; PIAC)</li> <li>• Consumers (as opposed to customers) to be given rights in relation to complaint handling and complaint resolution</li> <li>• Pamphlet on Customer Contract. To summarise the rights and obligations under the Contract and a list of contacts</li> </ul>
Customer Contract	<ul style="list-style-type: none"> <li>• Rights and obligations of customers and Hunter Water</li> <li>• Disconnection &amp; restriction process to be specified</li> <li>• Rebates &amp; compensation to be specified</li> </ul>
Customer Indicators (proposed by Halcrow)	<p>Complaints</p> <ul style="list-style-type: none"> <li>• Time to provide a substantive response to complaints by time band</li> </ul> <p>Telephone Calls</p> <ul style="list-style-type: none"> <li>• % of calls received by a number answered within 15 sec and 30 sec</li> <li>• Total time when all incoming lines are busy and callers receive busy tone</li> <li>• Total number of calls abandoned</li> </ul> <p>Affordability</p> <ul style="list-style-type: none"> <li>• Number of flow restrictions and disconnections</li> <li>• Number of debt recovery actions</li> <li>• Number of customers assisted through payment support</li> </ul> <p>Metered accounts</p> <ul style="list-style-type: none"> <li>• % not receiving a bill not based on an actual meter read</li> <li>• Account Contact</li> <li>• Time to provide a substantive response by time band</li> </ul>

Halcrow Management Sciences Ltd has recommended a number of customer service indicators to support obligations in the Operating Licence and Customer Contract.

### 3 SYSTEM PERFORMANCE STANDARDS

The aim of performance standards is to ensure that systems are adequately maintained to deliver a satisfactory level of service to customers. The review of the Licence presents the opportunity to address how well the current standards represent:

- customers needs & expectations
- current performance
- an incentive to maintain or improve performance.

Hunter Water Corporation's current system performance standards are;

<b>Water</b>	
Continuity of water supply	92% of customers per annum will not incur interruptions to their water supply for a duration of more than 5 hours
Water pressure	95% of water customers per annum will not experience a verified low pressure incident of less than 20 metres head measured at the service meter
Security of water supply during drought	To maintain and provide works sufficient to meet a probable occurrence of drought at no less than 10 yearly intervals
<b>Wastewater</b>	
Wastewater treatment works	Discharges from the wastewater treatment works must meet the standards set in the licences issued by the Environmental Protection Authority
Sewer surcharges	Reported surcharges will occur at no more than 1.4 incidents per kilometre of main per annum, and 96% of customers per annum will not experience a sewage overflow on their property

To assist in the review of these standards, the Tribunal has employed consultants Halcrow Management Sciences Ltd (Halcrow). Halcrow has undertaken a comprehensive study of Hunter Water's systems and procedures and interviewed a number of stakeholders in formulating recommendations for this area. The issues considered in the review are outlined below.

#### Measurement of Standards

The current standards for Hunter Water are expressed in terms of percentage of compliance. The system performance standards for Sydney Water Corporation use absolute numbers instead of percentages in order to facilitate a better understanding of performance by customers. For example, 4,500 properties are not to experience low pressure, instead of 92% of properties are to experience pressure at the standard. It enables recognition of the customers who experience a lower standard of service, instead of the percentage who are satisfied.

There is the argument that setting compliance targets in term of absolute numbers leads to a gradual tightening over time due to growth. This is acknowledged, however Halcrow believes that significant impact would only be seen in the medium to long term and is likely to be obscured by the natural deterioration of assets.



In terms of performance, Hunter Water has generally performed in excess of the standard targets in the Licence, the majority of which were set in 1991. If there is significant headroom in respect of the compliance target then the current levels of investment and service to the customer could be reduced, without breaching the Licence.

*What is an appropriate way to measure compliance and how much headroom should be in the Licence conditions?*

## Water Continuity

The current performance standard for water continuity measures the overall impact on customers of all interruptions from planned and unplanned events, regardless of duration or cause. Sydney Water has recently introduced separate performance standards for unplanned interruptions and planned interruptions. Unplanned interruptions immediately identify deficiencies in the asset system. They are also a greater inconvenience to customers when compared to planned events.

For the customer, the two main factors affecting service are the duration of the interruption and how often it occurs. Excessive repeat events are a reflection of an unacceptable level of service and identifies deteriorating assets.

*How should the aspects of unplanned interruptions and repeat occurrences be recognised in the regulatory framework?*

## Water Pressure

Customers expect an adequate and consistent flow and pressure when using water. The appropriate level of pressure depends on asset design and customer expectations. Hunter Water's current standard of supplying 20 metres of pressure is high in comparison to Sydney Water's standard (15 metres) and other water utilities across Australia. For Hunter Water, the properties who do not routinely meet the standard are isolated communities who have been historically serviced at 16 metres. Rebates are provided only when pressure is below 12 metres per head.

There can be value in supplying water at a lower pressure as it can achieve cost benefits for leakage and demand management strategies. This depends on whether the customer is inconvenienced and is willing to move to a different level. Customers do not necessarily require high pressure, but seek consistency, and do not wish to repeatedly experience variations from 'normal' to low pressure.

*Is the current water pressure standard appropriate?*

## Sewerage Overflows

Hunter Water's existing standard for sewerage overflows has two components. Overflows per kilometre emphasise the state of the assets and the overall impact on customers, both on

private property and public land. Overflows onto private property emphasise the impact on the individual.

Both dry and wet weather uncontrolled events are measurable in the two standards. Dry weather events occur due to blockages in the sewer, primarily due to tree root problems. Wet weather problems are the result of insufficient capacity to deal with inflow and infiltration.

Dry weather events isolate asset problems in the sewer system. They are major drivers of maintenance and investment and have a large impact on the individual customer. Wet weather problems impact the environment, public land and general community.

The offence caused by overflows is magnified when there are frequent repeat events, hence it is important that there is an understanding of the causes and impact of overflows and the level of service provision to the customer and environment.

*Should the aspects of dry and wet weather events on public and private land, and repeat occurrences be recognised in the performance standards?*

## Wastewater Transport System

The existing Operating Licence condition requires compliance with the Environmental Protection Authority's (EPA) licences for sewerage discharges. It is argued that this condition duplicates existing regulation. Although the EPA has the primary role for environmental regulation, the Tribunal has responsibility for protecting customers and ensuring that information is in the public domain.

*What is the role of the Operating Licence in informing the public and protecting customers from sewerage discharges?*

## Stormwater

Responsibility for transport of stormwater is divided between Hunter Water and local councils. For the channels under its control, Hunter Water has no legal duty to upgrade the service, but it should not refuse to provide drainage service to existing and potential customers.

The issues of concern in the community in relation to stormwater are;

- the adequacy of assets to prevent flooding
- the quality of stormwater being discharged

Hunter Water has an overriding stormwater objective in its Environmental Plan to cooperate with other organisations and the community to improve urban catchment management in its area of responsibility. The EPA has also introduced requirements for stormwater management plans which focuses the attention on water quality issues associated with stormwater system performance.

*Given the joint responsibility for stormwater, how can the issue of stormwater be addressed in Hunter Water's regulatory framework?*

### **Reporting Requirements**

The Licence is a mechanism to ensure adequate performance from Hunter Water and it provides the public with the opportunity to monitor Hunter Water's performance. All obligations in the Licence are assessed each year in the Operational Audit which is made available to the public.

*What aspects are important to be a part of the Operational Audit and in the public domain?*

## 4 DEMAND MANAGEMENT & SECURITY OF SUPPLY

Hunter's Water Operating Licence includes a standard for Security of Supply. It is recognised by stakeholders, including Hunter Water, that this measure is not adequately defined or measured. The measure focuses on supply and does not address demand management nor encourage best use of water resources.

Another approach is to concentrate on demand side factors, for example, Sydney Water Corporation has a demand management target specified in its Operating Licence. To achieve this they have adopted a framework with the ultimate aim of indefinitely deferring augmentation of supply through demand management and water conservation measures.

Halcrow Management Sciences Ltd have examined both approaches in their review of the system performance standards and provides an alternative recommendation for security of supply and demand management for Hunter Water.

### **Halcrow Management Sciences Ltd - Recommendations**

Halcrow propose that Hunter Water examine the issues of supply and demand, which determines the security of supply, through a least cost planning framework. This provides a holistic approach and gives supply, demand and security of supply equal weight, whilst allowing social and environmental objectives to be taken into account.

Hunter Water will be required to consider, in consultation with stakeholders, the most efficient means of providing the community with water. Demand, resource yield and security of supply need to be considered as equal and interdependent components.

For example, installation of dual flush toilets will reduce demand, and addressing system leakage will provide additional water, all at a cost which may be cheaper than supply augmentation (ie building new dams).

Halcrow recommends that the strategy should be based on mechanisms where there is;

- a Licence obligation requiring Hunter Water to prepare and submit to the Tribunal a least economic cost plan for supply and demand management
- a single target for water saved arising from the least cost plan
- links to the Environmental Management Plan where the overall least economic cost solution specifies objectives for the components such as leakage and reuse.

Halcrow also recommends a single target for water saved which considers all components, rather than setting individual targets, as it allows Hunter Water to seek the most cost effective combination of demand management measures.

## **Least cost planning and water use efficiency**

### ***Institute for Sustainable Futures – Stuart White***

In order to facilitate the discussion on demand management and provide a context for Halcrow's recommendations in this area, Stuart White from the Institute of Sustainable Futures will be discussing the area of Least Cost Planning and provide examples of application.

Least cost planning is a process for determining the best means of meeting the water related needs of the community: economically; socially; and environmentally. Least cost planning recognises that customers do not actually need more water, they actually need the services that water provides (showers, sanitation, lawns). These services can be provided with reduced water use and often at lower cost through the use of more efficient equipment, practices, processes and appliances. In some areas where there is a supply constraint these benefits can add up to large financial savings, which can be allocated elsewhere in the water supply industry or economy.

Least cost planning compares the unit cost of supply options to water efficiency options on equal terms, and allows a water utility to decide the appropriate mix of investment in each. The evaluation of options should be undertaken from the combined perspective of the utility and its customers.

The following table provides some typical unit costs of different water saving and water supply methods (White and Howe 1998).

**Table 1 Typical levelised costs for various demand and supply side options**

<b>Option type</b>	<b>Typical levelised cost to community (¢/kL)</b>
Pricing	0-2
Restrictions	5-10
Shower head giveaway	10-20
Residential indoor assessment/ retrofit	20-30
Active leakage control	20-50
Tap timers/ education	20-50
Non residential efficiency	40-60
Residential outdoor assessment (retic systems)	50-70
Toilet retrofit	70-80
Typical augmentation	80-100
Typical reuse	90-150

The economic justification for investing in water efficiency is related to the avoided costs, that is, it is dependent on what does *not* have to be spent if the demand for water is reduced. These avoided costs can include the following:

- reduced operating costs of pumping and treatment of water and wastewater;
- reduced capital cost through deferring, downsizing or eliminating the need for capital works;
- reduced energy costs and greenhouse gas emissions through reduced hot water use in showers, taps and washing machines;
- reduced detergent use in front loading washing machines.

In some cases the costs are dependent on a reduction in annual average demand, in other cases peak day demand or peak dry weather flow of wastewater is the cost driver. The least cost planning analysis takes all these factors into account to determine how and where savings can be made by reducing water use.

### Examples

There are a number of examples of the application of least cost planning and the implementation of water efficiency programs internationally and in Australia. In Australia, the emphasis of demand management since the 1980's has been on the use of pricing and education, and in some areas leakage reduction and effluent reuse.

On the north coast of NSW, in a program run by Rous Water, over 10% of the population have had water efficient showerheads and taps fitted and a separate program involved the offer of \$150 rebates at point of sale for the purchase of front loading washing machines, which can reduce washing machine water use by 50% or more, as well as providing energy and detergent savings. Sydney Water is implementing a program of water efficiency measures designed to reduce demand by 35% in per capita terms in 2011 based on 1991 consumption (Howe and White 1999).

The significant factor is that the principles of *least cost planning* have been used in deciding what options to implement, and a conscious decision to implement the most cost-effective options first. Monitoring and evaluation of the savings has also been a key aspect of these programs.

## 5 ENVIRONMENTAL REQUIREMENTS

Given the nature of Hunter Water's business, environmental performance is a fundamental public accountability. The number of submissions on environmental issues, also suggest that this is also of considerable importance to the community.

The Tribunal's *Issues Paper* set out a number of possible environmental requirements which could be included in Hunter Water's new Operating Licence.

### Environmental Management Plan

At present, Hunter Water Licence requires it to report on performance and progress in meeting its Environmental Management Plan (EMP).

Hunter Water's EMP is a 5 year plan which establishes environmental objectives and actions across 5 core activities; water resources, wastewater, community consultation, stormwater and corporate responsibility.

The EMP is assessed, in the annual Audit, on the level of progress or conformance with the objectives of the EMP. This is a different method of assessment compared to other aspects of the Licence, which are measured on the basis of compliance (pass or fail).

Hunter Water supports the continued assessment of the EMP on this basis, arguing that assessment based on progress rather than compliance allows ambitious goals (stretch targets) to be set. The Corporation argues that a compliance based approach would require less ambitious goals owing to the risk of failure.

Other stakeholders, particularly environmental groups, have expressed a preference for more measurable, compliance based targets to increase Hunter Water's accountability.

Another issue raised in relation to the EMP is that of community input. At present, the EMP is seen as an internal document by Hunter Water. As such there is limited public consultation, although progress against the EMP objectives is publicly reported via Hunter Water's annual Environmental Report.

Hunter Water believes the most appropriate means of increasing public input to the EMP is via its Consultative Forum, which is made up of representatives from some environmental, catchment management and industry groups.

Other stakeholders have argued for a consultation process wider than that proposed by Hunter Water.

*The main issues for discussion at the workshop will be; the level of community input into the EMP and the measurement of the EMP objectives to be applied via the annual audits.*

## Environmental and Ecologically Sustainable Development (ESD) Indicators

Environmental and ESD Indicators are designed to provide the community with information and trend data on the impact on the environment and sustainability of Hunter Water's activities.

Hunter Water proposes to prepare one set of indicators covering both environmental and ESD issues, primarily using information already collected. Hunter Water will also seek public input on the indicators via Hunter Water's Consultative Forum.

Other stakeholders have expressed support for the creation of a comprehensive suite of indicators based on established environmental and ESD principles. Some stakeholders have also called for broad public consultation in establishing the indicators.

*The key discussion issue here is the level of public consultation required for the environmental and ESD Indicators.*

## Energy Management

It is established Government policy in NSW to work towards reducing greenhouse gas emissions. One mechanism designed to achieve this is the NSW Government Energy Management Policy (GEMP). The GEMP comprises two main strategies:

1. Reducing the energy consumption of government buildings by 25% of the 1995 level by 2005
2. Budget-sector government agencies to purchase 6% of their energy from green-power sources.

The GEMP is not compulsory for State Owned Corporations like Hunter Water. Although, both SWC (a State Owned Corporation) and the SCA comply with the GEMP building energy target as part of their Licences.

Hunter Water reports on energy management as part of its annual Environment Report and has also voluntarily introduced a range of energy management initiatives, such as the creation of hydro-electric generation facilities at Chichester Dam and Dungog Water Treatment Plant.

Hunter Water believes that energy management should be dealt with in the Licence as part of the Environmental/ESD Indicators rather than adopting fixed targets.

Other stakeholders, particularly environmental groups, support the introduction of fixed targets and a comprehensive energy management strategy.

*The main issue for discussion is whether the Licence should contain fixed targets or indicators.*



## Water Resource and Catchment Management

Hunter Water's use of bulk water resources is primarily regulated by the Department of Land and Water Conservation (DLWC).

The focal point of this regulation is a Water Management Licence issued to Hunter Water and a Memorandum of Understanding between the Corporation and DLWC.

Hunter Water also has additional management responsibilities with respect to the Williams River catchment, resulting from:

1. Williams River Catchment Regional Environment Plan
2. Regional Planning Strategy
3. Healthy Rivers Commission report into the Williams River.

The Tribunal sought comment from Hunter Water on whether the new Operating Licence should impose a requirement for Hunter Water to manage and protect the catchments and water resources and/or prepare a risk management plan. Similar requirements are contained in the Sydney Catchment Authority Operating Licence.

Hunter Water believe that it is inappropriate to place bulk water quality and catchment management requirements in the Licence when there are no express legislative requirements covering these issues in the *Hunter Water Act 1991*. Hunter Water instead recommend that bulk water and catchment health be monitored as part of the Environmental/ESD Indicators.

Detailed comments on this issue were received by the Tribunal from a variety of stakeholders, including farming, landcare and environmental groups. The issues raised in these submissions included:

- Water resource & catchment management practices should be reported on as part of the annual Audit
- Hunter Water should participate in a catchment management plan involving all relevant stakeholders under the oversight of DLWC
- The requirements of the Water Management Licence and related instruments should be codified in the Licence
- Hunter Water should undertake catchment improvement works based on a catchment risk assessment
- The Licence should refer to Hunter Water's obligation to comply with the Seaham Weir Operation Plan
- Hunter Water should provide more transparent reporting of relevant performance standards (water quality data and trends, details of extraction and inflows).

*The main points for discussion are whether bulk water and catchment management requirements should be placed in the Operating Licence and how detailed any such requirements should be.*

## 6 OTHER ISSUES

### Drinking Water Quality Standards

Drinking water standards have been an integral part of Hunter Water's Operating Licence since its inception in 1991. Over this period, Hunter Water has performed well against the drinking water requirements in the Licence and typically delivers water of a very high quality to its customers.

Hunter Water currently supplies water in compliance with the 1996 Australian Drinking Water Guidelines. Although the 1996 Guidelines represent the most recent version of the standards, the National Health and Medical Research Council (NHMRC) plan to continuously review and update the Guidelines based on emerging research.

The Tribunal's *Issues Paper* sought comments on whether Hunter Water should be required, like Sydney Water, to comply with revisions to the health-related aspects of the Guidelines.

Whilst accepting the need for this requirement, Hunter Water have argued that NSW Health, as Hunter Water's health regulator, should be responsible for specifying any amendments to the drinking water guidelines that Hunter Water must meet. Submissions received from other stakeholders indicate there is wide support for this proposal.

The Issues Paper also sought comment on whether the requirements of Hunter Water's Memorandum of Understanding (MOU) with NSW Health should be codified in the Operating Licence.

Hunter Water supports the inclusion in the Licence of the key requirements in the MOU (5 year drinking water quality plans and incident management plans). Other stakeholders have also expressed support for the inclusion of some or all of the MOU provisions in the Licence.

*The main issue for discussion is to what degree should the requirements in the MOU with NSW Health be incorporated into the Licence.*

### Memoranda Of Understanding with Department Of Land and Water Conservation (DLWC) and Environment Protection Authority (EPA)

The relationships between Hunter Water, DLWC and the EPA (like that for NSW Health) are clarified by MOUs between Hunter Water and both agencies. Both MOUs contain requirements with respect to liaison between the parties and other actions.

In the case of both SWC and the SCA, details of the MOUs are incorporated in the Operating Licences. It should be noted that in the case of SWC and the SCA the MOUs are legislative requirements. No such requirement exists on Hunter Water, with the result that the MOUs are voluntary agreements.

*An issue for discussion is whether the MOU arrangements should be codified in Hunter Water's Operating Licence.*

## Review Of Operating Licence

The Issues Paper sought comment on both the appropriate term, as well as timings for reviews of the Licence. Based upon the submissions received, it appears settled that Hunter Water and stakeholders would prefer a 5 year Licence term consistent with that for the Licences for SWC and the SCA.

There is less consensus on the timing of reviews of the Licence. Hunter Water has expressed a preference for one end of term review at the conclusion of the 4<sup>th</sup> year in the Licence term. Other stakeholders have expressed the view that a mid term review is also appropriate to ensure that the Licence reflects the latest developments in the water industry.

*An issue for discussion is whether Hunter Water should be subject to mid term and end of term reviews of the Licence.*