


Hunter Water Corporation Operational Audit 2005/06

Report to the Minister

Water - Compliance Report
May 2007

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Compliance Report No 29

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**The Tribunal members for this review are: Dr Michael Keating AC, Chairman,
Mr James Cox, Full Time Member and Ms Sibylle Krieger, Part Time Member**

Independent Pricing and Regulatory Tribunal of New South Wales

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1 INTRODUCTION AND OVERVIEW

The Independent Pricing and Regulatory Tribunal of New South Wales (the Tribunal) has completed its audit of Hunter Water Corporation's (Hunter Water's) compliance with the requirements of its Operating Licence for the period 1 July 2005 to 30 June 2006. The purpose of this report is to inform the Minister for Water Utilities of the audit findings, and of the Tribunal's recommendations in response to these findings.

1.1 Overview of audit findings

In undertaking its audit review, the auditor examined Hunter Water's compliance with the obligations imposed on it through its Operating Licence, and with the Ministerial Requirements related to these obligations. The auditor also assessed Hunter Water's compliance with its responsibilities for maintaining Memoranda of Understanding with other government agencies, as set out in its Operating Licence.

Overall, the auditor found that Hunter Water had managed its resources to achieve predominately high to full compliance with its Operating Licence. However, it achieved only low compliance with one obligation related to system performance reporting. The auditor also identified a range of areas in which compliance could be improved.

More specifically:

- Hunter Water achieved full compliance with all licence obligations related to customer and consumer rights and its Ministerial Requirement related to this area.
- Hunter Water achieved high compliance with its obligations related to water quality. The quality of drinking water Hunter Water supplied was very high, but the auditor identified several areas where compliance could be improved.
- Hunter Water achieved full compliance with almost all its system performance obligations and all its four Ministerial Requirements in this area. However, it achieved low compliance for the requirement to make its system performance reports publicly available. In addition, the auditor identified that the population growth and linear nature of urban development in the Hunter region have pushed the organisation's performance close to the limit of the water continuity standard.
- Hunter Water achieved largely full compliance with its water demand and supply obligations. It met its water conservation target and satisfied the requirements for reporting on water supply, losses, recycling and demand management.
- Hunter Water achieved full compliance with all its obligations related to environmental indicators, environmental plans and catchment management.
- Hunter Water achieved high compliance with its complaint and dispute handling obligations. While it has invested in effective complaint handling systems, it would benefit from introducing more formal training for staff in this area and developing performance measures for complaints and dispute resolution.
- Hunter Water's implementation of its MoU with NSW Health was rated as moderate. The auditor noted that while there was evidence that the two agencies had exchanged key water quality management, monitoring and improvement plans, they had not actively considered long-term strategic issues or undertaken an annual review.

1.2 Tribunal's recommendations

The Tribunal notes that the auditor made a number of recommendations for Hunter Water. It believes that Hunter Water should consider these recommendations and use them to guide its efforts to further improve its compliance performance in future years.

However, the Tribunal considers that only one of these recommendations warrants consideration by the Minister as a direction to Hunter Water. This is the recommendation that Hunter Water develop a summary table for each of its water saving initiatives (recommendation 8.1).

Recommendation

That the Minister direct Hunter Water to develop a summary table for water saving initiatives. This table should identify the annual budget, actual expenditure to the end of each year, target water savings increase for the year, actual savings achieved for the year, and key reasons for performance.

1.3 Structure of report

The following chapters explain the auditor's review, findings and recommendations in more detail, and provide the Tribunal's comments in response to these findings, based on its understanding of the issues.

Chapter 2 explains the basis for and scope of the audit review, and the process followed in undertaking it. Chapters 3 to 10 focus on Hunter Water's compliance with the obligations set out within each of the following sections of its Operating Licence:

- customer and consumer rights
- water quality
- system performance
- water demand and supply
- environmental indicators and plan
- catchment management
- complaint and dispute handling
- responsibilities for maintaining Memoranda of Understanding with other government agencies.

Please note that the boxed sections in these chapters are direct quotes from the auditor's final report to the Tribunal. Further detail on the auditor's findings can be found in the auditor's report, which is attached for information.

2 AUDIT SCOPE AND PROCESS

Hunter Water is a State Owned Corporation, which is wholly owned by the NSW Government. Its roles and responsibilities include providing water and wastewater services to the Newcastle, Lake Macquarie, Maitland, Cessnock and Port Stephens areas, and bulk water services to Dungog, parts of the Singleton and Great Lakes areas and the Central Coast. These roles are derived from the *Hunter Water Act, 1991* (the Act) and the Operating Licence issued to Hunter Water pursuant to Section 12 of the Act.

Part 11 of the Operating Licence stipulates that the Tribunal (or its appointee) is to undertake an Operational Audit of Hunter Water's performance against the requirements of the licence each year, and report its findings to the Minister.

Accordingly, the Tribunal commissioned GHD Pty Ltd to undertake the 2005-2006 Operational Audit of Hunter Water covering the period 1 July 2005 to 30 June 2006.

2.1 Scope

In line with the scope defined in Part 11 of the Operating Licence, the auditor's review included assessing Hunter Water's:

- compliance with the obligations in each of Parts 5, 6, 7, 8, 9, and 10 of its Operating Licence
- implementation of the Memoranda of Understanding it has with NSW Health
- compliance with any other matter required by the Operating Licence, the Act or administrative direction to be assessed or considered as part of the Annual Audit, and
- compliance with the directions of the Minister responsible for administering the provisions of the Act, following the 2004-2005 Operational Audit (Ministerial Requirements).

In undertaking the audit review, the auditor examined Hunter Water's compliance with its requirements for the 2005-2006 audit period only. Requirements satisfied in earlier audit periods were not reassessed.

2.2 Process

The auditor adopted a methodology consistent with ISO 14011 *Guidelines for Environmental Auditing*. These guidelines set out a systematic approach to defining the requirements of the audit, which ensure that it is conducted in accordance with an established and recognised audit protocol.

The auditor held an inception meeting with Hunter Water's Managing Director and other representatives on 9 October 2006. This meeting developed mutual understanding and expectations of the requirements of the audit and protocols for the conduct of the audit. Both Hunter Water and the auditor generally adhered to the agreed protocols throughout the audit. The Tribunal's Secretariat was represented at this and most subsequent meetings between the auditor and Hunter Water, which meant the Tribunal was able to gain first hand information on audit processes and outcomes.

Independent Pricing and Regulatory Tribunal

The auditor provided Hunter Water with drafts of the audit report, and gave it an opportunity to provide the auditor and the Tribunal with its comments on these documents. The auditor considered these comments before finalising its report.

The auditor has assessed and rated Hunter Water's compliance with the requirements of the Operating Licence according the following schedule:

| Compliance Grade | Description detail |
|--------------------------|--|
| Full Compliance | All requirements of the condition have been met. |
| High Compliance | Most requirements of the condition have been met with some minor technical failures or breaches. |
| Moderate Compliance | The major requirements of the condition have been met. |
| Low Compliance | Key requirements of the condition have not been met but minor achievements regarding compliance have been demonstrated. |
| Non Compliance | The requirements of the condition have not been met. |
| Insufficient Information | Relevant, suitable or adequate information to make an objective determination regarding compliance was not available to the auditor. |
| No Requirement | The requirement to comply with this condition does not occur within the audit period or there is no requirement for the utility to meet. |

3 CUSTOMER AND CONSUMER RIGHTS

3.1 Auditor's findings

Customer Contract

Consistent with previous audit periods, the majority of Customer Contract requirements achieved full compliance.

Consumers

Full compliance was achieved for the obligations relating to Consumers. When complaints are entered into the computerised system, Hunter Water does not identify whether the complainant is a customer or consumer. It thus fulfils its obligations under the Customer Contract (relating to complaint handling and complaint resolution debt and disconnection procedures) as if those obligations also extended to Consumers.

Code of Practice on Debt and Disconnection

Hunter Water achieved full compliance with the requirements of the Code of Practice on Debt and Disconnection, which includes the dissemination of information.

Consultative Forum

Full compliance was achieved with the requirements relating to this audit period including the provision of quality advice relevant to customers and consumers on the Customer Contract and planning and operational issues, dissemination of information relating to the Consultative Forum Charter, and maintaining the nominated representative groups in the membership of the Forum.

Ministerial Requirement

Hunter Water has continued to look at options to reduce the number of customers affected by disconnection and flow restriction measures for non-payment. It introduced a new Disconnection Policy in May 2006 and commenced to trial a further step in its credit management process, in September 2006. Hunter Water achieved full compliance with this Ministerial Requirement.

3.2 Auditor's recommendation

R5.1 Update the code of practice for Debt and Disconnection to reflect the new Customer Information System (CIS), new procedures and management structures as these relate to customers.

3.3 Tribunal's comments

Hunter Water continued to achieve full compliance with all its obligations related to customer and consumer rights, including those related to the Customer Contract and the Code of Practice on Debt and Disconnection. Hunter Water has achieved predominately full compliance in this area for the past five years.

Hunter Water also achieved full compliance with the Ministerial Requirement for it to investigate ways to reduce the number of customers affected by disconnection and flow restriction measures for non-payment. It introduced a new disconnection policy in May 2006, which resulted in a reduction in the number of disconnections during the audit period.

The Tribunal supports the auditor's recommendation R5.1 that Hunter Water update its Code of Practice for Debt and Disconnection, and recommends that Hunter Water implement this. However, the Tribunal believes that given its good recent performance in this area, Hunter Water can implement the recommendation without the need for a formal Ministerial Requirement. The Tribunal will monitor Hunter Water's progress in this area during future audits.

4 WATER QUALITY

4.1 Auditor's findings

Hunter Water supplies its customers and consumers with drinking water of an excellent quality. However, there are some areas of the Operating Licence where compliance could be improved. As a consequence, Hunter Water has achieved an overall high compliance rating for 2005-2006 regarding water quality.

Drinking Water Quality - Standards

Overall, full compliance was achieved for drinking water quality standards. The auditor notes that current practices in regard to monitoring for *Cryptosporidium* and *Giardia* have been agreed with NSW Health. However it is the auditor's view that it is desirable that Hunter Water collect evidence to support its current sampling regime of testing raw and treated water for these organisms.

Drinking Water Quality - Monitoring

Full compliance was achieved with this requirement of the Licence.

Drinking Water Quality - Reporting

High compliance was achieved with this requirement of the Operating Licence. The omission of trend information in Water Quality reports was the factor that mitigated against full compliance. Hunter Water has indicated that trend information will be included in future reports.

Drinking Water Quality - Planning

High compliance was achieved with this requirement of the Operating Licence. Lack of evidence that NSW Health had reviewed and agreed with the Water Quality Improvement Plan and the Incident Management Handbook mitigated against full compliance.

Full compliance was achieved with the requirements for other grades of water.

Full compliance was achieved for the requirements for Environmental Water Quality.

4.2 Auditor's recommendations

- R6.1** Develop a Quality Assurance (QA) section for the Water Quality Monitoring Plan, which should also include provisions for the reporting of QA performance.
- R6.2** Adopt a more formal process for the submittal of Water Quality Plans and Reports to NSW Health, as required by the operating licence, for its approval and/or agreement.
- R6.3** Consider enhancing the risk management process by establishing a monitoring regime of water quality in streams flowing into the raw water storages, recognising that Hunter Water is not in control of land uses within these catchments.

- | | |
|-------------|---|
| R6.4 | Consider the desirability of monitoring for <i>Cryptosporidium</i> and <i>Giardia</i> , in both treated and raw water, in association with NSW Health, so as to generate evidence to support its existing regime of sampling treated water only if organisms are detected in the treated water. |
| R6.5 | Undertake emergency risk exercises that involve other relevant agencies in relation to public health and water quality on a regular basis. |

4.3 Tribunal's comments

Although Hunter Water supplied very high quality drinking water, the auditor noted that some aspects of its water quality monitoring processes could be improved. The auditor recommended that future monitoring plans include a specific QA component, and reporting requirements that cover all aspects of sampling, analyses, and data management. It also noted that, subsequent to the audit, Hunter Water implemented a QA process for sample selection and data storage. Hunter Water should now extend this QA process to cover all relevant aspects of monitoring. The auditor also commented on the value of monitoring stream inflows to storages as an important element of risk management.

Hunter Water's level of compliance with drinking water quality reporting requirements fell from full in the last audit to high in the 2005/06 audit. This was due to the lack of trend information in the Annual Drinking Water Quality Report, and the lack of evidence of NSW Health's formal acceptance that Hunter Water had met its obligations related to the Annual Water Quality Plan, the Annual Water Quality Improvement Plan, and the Incident Management Plan.

The Tribunal notes that there was an occurrence of Geosmin¹ in Chichester Dam in May and June 2006, which affected the taste and odour of drinking water but did not present a health risk. It understands that Hunter Water has introduced permanent treatment for this condition.

In the Tribunal's view, the provision of high quality drinking water is the most important service that Hunter Water provides. It notes that Hunter Water has continued to achieve good performance in this area. However, it also considers that the auditor's recommendations are important measures to be progressed, and will continue to closely monitor compliance with this section of the licence in future audits.

Many of the matters raised in the auditor's recommendations should be addressed in Hunter Water's revised Operating Licence, which will be in effect from 1 July 2007. Therefore, the Tribunal does not recommend that these matters be made Ministerial Requirements.

¹ Geosmin is an important element of the seasonal taste and odour characteristics of water. It is important because consumers generally rely on the taste of their water as an important indicator of its acceptability. It does not constitute a direct threat to public health, rather it is more of an aesthetic issue.

5 SYSTEM PERFORMANCE

5.1 Auditor's findings

System Performance Standards

Full compliance was achieved for the water continuity System Performance Standard, since no more than 14,000 properties experienced one or more water interruptions (whether a planned water interruption or an unplanned water interruption and which taken together had a cumulative duration exceeding 5 hours). However, with 13,133 properties experiencing one or more water interruptions, Hunter Water's performance was close to the System Performance Standard limit.

This figure is a minor improvement on the performance in 2004-2005, when the figure was 13,723 properties. The improved 2005-2006 figure was achieved by a significant reduction in planned interruptions, offset by a combination of an increase in unplanned outage durations and a doubling of unplanned large main outages.

Full compliance for water pressure was achieved since no more than 4,800 properties experienced one or more water pressure incidents. 1,663 properties experienced one or more water pressure incidents, which is similar to the result reported for 2004-2005.

Full compliance was achieved for the number of uncontrolled sewage overflows (other than on public land). The standard is that the number of such events must not exceed 6,500. In 2005-2006 there were 3,359 uncontrolled sewage overflows onto private property. This is a reduction from the 3,771 properties in 2004-2005.

Reporting on System Performance Standards

Hunter Water achieved full compliance for reporting on its system performance but obtained low compliance for making system performance reports publicly available.

System Performance Indicators

Hunter Water achieved full compliance for reporting on system performance indicators.

Keep records on Water interruptions, low pressure and Sewage overflows.

Hunter Water achieved full compliance for maintaining records of its system performance standard and indicator performance.

Hunter Water achieved full compliance for meeting its System Performance Ministerial Requirements, which included: installation of pressure/flow monitoring devices; improved work crew awareness of the importance of timing in reconnections; practices to reduce water interruptions required to connect new developments; and practices to meet, and improve, water supply continuity.

5.2 Auditor's recommendations

| | |
|------|--|
| R7.1 | Report to the Tribunal on, and implement options to, reduce unplanned outage durations including the setting of separate planned and unplanned outages (within the combined total of 14,000) targets and report annually against those targets to improve clarity of performance and asset management. |
| R7.2 | Report to the Tribunal on Hunter Water's asset management options and strategies (including risk and cost benefit analysis) for improving security of supply to its customers in the medium to long term. This report should provide meaningful detail on the 'trunk main' issue. |
| R7.3 | Ensure that there is improved accessibility to the required system performance information in its new website. |
| R7.4 | Train customer service staff to improve awareness of the availability of system performance information. |
| R7.5 | Implement appropriate processes and practices for managing and recording changes in priority of system failure events. |

5.3 Tribunal's comments

Hunter Water achieved full compliance with all requirements related to its system performance standards. However, it achieved low compliance with the requirement to make its reports on its performance against these standards available publicly. The auditor found that Hunter Water had failed to adequately make available a number of reports at its premises, including those on uncontrolled sewage overflows and system performance indicators.

The Tribunal notes that Hunter Water's performance in relation to water interruptions has improved recently, as there was a slight decrease in the number of properties affected by interruptions compared to the last audit. However, if we look over a longer timeframe this number is trending upwards. Population growth and the linear nature of development in Hunter Water's area of operations have pushed the Corporation's performance close to the limit of the water continuity standard.

Similarly, Hunter Water's performance in relation to sewer overflows improved – for the first time since 2001-2002, the number of overflows decreased. However, there is also a longer term upward trend in this number, largely due to the increasing number of properties that Hunter Water services. The auditor noted that Hunter Water appears to have systems in place to ensure that it continues to achieve compliance with its requirements in this area in the coming years.

Hunter Water also achieved full compliance with the requirement to report on its system performance indicators, and with all the Ministerial Requirements related to system performance established as a result of the 2003-2004 and 2004-2005 audits.

The Tribunal notes that the auditor made five recommendations for improving Hunter Water's compliance in this area. The Tribunal considers the first of these – R7.1, that Hunter Water report on and implement options to reduce unplanned outage durations – has already

been addressed, as Hunter Water recently agreed to report on this and other system performance indicators in its system performance review.

The Tribunal supports the auditor's other four recommendations, and recommends that Hunter Water implement them.

The Tribunal intends to monitor Hunter Water's compliance with the system performance requirements in the Operating Licence in future audits and studies associated with the Tribunal's review of system performance standards. However, the Tribunal does not consider that Ministerial Requirements in this area are warranted.

6 WATER SUPPLY AND DEMAND

6.1 Auditor's findings

Integrated Water Resources Plan

Full compliance was assigned for making the Integrated Water Resources Plan (IWRP) available. Future IWRPs will consider issues such as climate change, drought security, supply augmentation, opportunities for further recycling and demand management.

Water Conservation Target

Full compliance was assessed for achieving water conservation targets.

The actual annual demand of 208kL/year/residential property is less than the Water Conservation Target of 215 kL/year/residential property. However, there is an upward trend in water consumption. Based on the accuracy of water measurement, at about $\pm 2.7\%$, the actual demand is expected to be in the range 202 to 214 kL/year/residential property. This is very close to the Hunter Water target.

Water Demand & Supply Indicators

High to full compliance were assigned to applicable clauses.

Information was provided on the relevant indicators of water demand and supply. Performance was generally good except in the areas of progressing the uptake of recycled water by industry and in translating water audits of industry into actual water savings.

Annual Reporting on Water Demand & Supply Indicators

The annual Integrated Water Resource Plan 2005-2006 and Environmental and ESD Indicators Report provided a good summary of Hunter Water's performance on Water and Demand indicators. Each report was delivered to the Tribunal on time. However, there were a few instances of different figures being reported for the same indicator.

6.2 Auditor's recommendations

- | | |
|-------------|---|
| R8.1 | Develop a summary table for each of its water saving initiatives identifying annual budget, actual expenditure to the end of each year, target water savings increase for the year, actual savings achieved for the year and key reasons for its performance. |
| R8.2 | Review the methodology for defining actual water savings from its Water Service replacement program |
| R8.3 | Review the process of estimating water losses, due to leaks, to determine if greater accuracy can be achieved or, alternatively, ensure more leaks are actually measured on site before repairs are completed. |
| R8.4 | Complete a post implementation review of performance and "lessons learnt" from the successful Eraring Power Station reuse project and incorporate this experience in Hunter Waters Recycled Water Strategy Study and revised Integrated Water Resources Plan. |

| | |
|-------------|--|
| R8.5 | Complete more frequent “drop tests”, say once every 5 years, to confirm the accuracy of the four water supply meters that together determine the total water supply to the HAWK supply area. |
| R8.6 | Implement a more effective Cleaner Production Project to achieve real water use efficiencies and develop other strategies aimed at reducing water consumption by the industrial and commercial sector. |
| R8.7 | Work with the Tribunal to establish in the next licence an agreed position on how the impacts of water restrictions, accuracy of water meter readings and wet and dry year climate conditions should, if necessary, be considered in the calculation of the five year rolling average water consumption figure used to compare against the target of less than 215KL/household/year. |

6.3 Tribunal’s comments

Hunter Water achieved full compliance with almost all its water demand and supply requirements. However, the auditor found that its compliance in relation to the accuracy of reporting on the quantity of water supply from its storages had fallen (from full to high), and the outcomes achieved through its demand management efforts had declined.

Hunter Water has initiated a number of positive water conservation programs, although some appear to have reached a plateau in terms of effectiveness. Water conservation programs need a boost to achieve improved water savings and reuse.

The progress on achieving water savings in some key area has been slow – for example, a large number of industries are yet to produce any water savings through the Cleaner Production Project. The auditor’s analysis of Hunter Water’s demand management activities revealed that a range of factors were affecting compliance, including:

- only 7.5 per cent of water is reused to date, compared to Hunter Water’s reuse target of 13 per cent by 2007
- the significant drop-off in uptake of REFIT KITS²
- the lack of progress in developing another pressure reduction zone
- the lack of scientific verification of the estimate of water savings from service water main replacements
- the lack of regular ‘drop test’ checks – for example, at 5 year intervals – of its four supply flow meters, and slow progress in installing additional meters for minimum night flows assessment
- the lack of progress in translating water audits of industry into actual water savings by the audited industries.

The auditor also identified that although Hunter Water delivered all the documents required in its licence for water demand and supply, the accuracy of the information in some of the documents can be improved.

² REFIT Kits include water efficient showerheads and taps for residential properties.

The Tribunal strongly supports the auditor's recommendation that Hunter Water develop a summary table of water saving initiatives, and recommends that this be a Ministerial Requirement for future operations. The other recommendations are important measures for Hunter Water to implement, and the Tribunal will closely monitor its progress in future operational audits. However, the Tribunal does not consider they need to be Ministerial Requirements.

7 ENVIRONMENT – INDICATORS AND PLANS

7.1 Auditor's findings

The Environmental Management Plan (EMP)

Full compliance was assessed for performance related primarily to monitoring activities over 2005-2006.

Hunter Water has made no material or other amendments to the EMP during the current reporting period. The EMP is available on the Hunter Water website and in public libraries within the service area. In addition, customers may obtain a hard copy of the EMP directly from Hunter Water's customer service centres.

Environmental and ESD Indicators

The Tribunal began a review of Hunter Water's Operating Licence commencing in July 2006. This review is still in progress.

Full compliance was achieved against clauses relating to monitoring, compiling data and reporting performance against the environmental and ESD indicators.

Energy Management

Hunter Water achieved Full compliance against clauses relating to energy management.

7.2 Auditor's recommendations

The auditor made no recommendations related to Hunter Water's compliance with this part of its Operating Licence

7.3 Tribunal's comments

Hunter Water achieved full compliance with all licence requirements related to environmental indicators and plans.

Hunter Water has produced an environmental and ESD indicators report which provides trend data for the last four to five years.

The Tribunal will continue to monitor Hunter Water's performance in this area of the Operating Licence through the audit process. It does not recommend any Ministerial Requirements for this area.

8 CATCHMENT MANAGEMENT

8.1 Auditor's findings

Hunter Water achieved full compliance for activities under Part 10 of the Operating Licence.

The Catchment Report provides information on all catchment management activities including:

- Bulk water quality;
- Activities undertaken in accordance with Hunter Water (Special Areas) Regulation, 2003, the Williams River Catchment Regional Environmental Plan, the Williams River Regional Planning Strategy (1997) and the Seaham Weir Operations Plan;
- Performance against its Water Management Licence and the condition of its dams, ponds and detention basins under the Dam Safety Act 1978;
- Additional water or land management activities undertaken within the catchment; and
- Five-year trends observed in the Williams River against specified water quality parameters and other routinely tested water quality parameters.

Public Display of the Catchment Report

The Catchment Report is available on the Hunter Water website and in public libraries within the service area. Customers may also obtain a hard copy of the Report directly from Hunter Water's customer service centres.

8.2 Auditor's recommendations

The auditor made no recommendations related to Hunter Water's compliance with this part of the Operating Licence.

8.3 Tribunal's comments

Hunter Water achieved full compliance with all licence requirements related to Catchment Management. It has improved its performance (from high to full compliance) in reporting against bulk water quality parameters.

The Tribunal will continue to monitor performance in this area of the Operating Licence through the audit process. It does not recommend any Ministerial Requirements for this area.

9 COMPLAINT AND DISPUTE HANDLING

9.1 Auditor's findings

Effectiveness of Complaints and Dispute Handling Procedures

Hunter Water operates an effective complaints handling process and has achieved high compliance for complaint and dispute handling. Its systems are designed to comply with the Customer Contract and a monitoring process is in place to measure 'effectiveness' and regularly report to senior management and its customers on its performance.

Complaints to Other Bodies

Hunter Water advised that there have been no complaints to a Court or Tribunal during this audit period.

9.2 Auditor's recommendations

The auditor made no recommendations in relation to this area.

9.3 Tribunal's comments

In previous years, Hunter Water achieved predominately full to high compliance with licence requirements related to complaint and dispute handling. In this audit, the auditor rated its compliance as high. This rating reflects the fact that the auditor identified several opportunities for Hunter Water to improve its compliance in this area.

The auditor acknowledged that Hunter Water provides extensive on-the-job training and support to its call centre staff, and has several tools to monitor and report on the effectiveness of its dispute resolution function. However, the auditor cited lack of formalised training and lack of a sustainable target for unresolved complaints as shortcomings of the complaint and dispute handling area.

Hunter Water has acknowledged that some factors adversely affected its treatment of complaints and dispute handling (especially within its call centre) over the latter part of the audit period. These include training requirements for the new CIS system, increased payment demands causing increased number of calls to call centre, and prevailing weather conditions.

The Tribunal will continue to monitor training of call centre and specialist dispute resolution staff and the development of performance measures for complaint and dispute resolution.

The Tribunal does not recommend any Ministerial Requirements for this area of the Operating Licence.

10 RESPONSIBILITIES FOR MAINTAINING MOUS

Hunter Water is required to enter into and maintain a Memorandum of Understanding (MoU) with NSW Health. There is no requirement for it to maintain MoUs with either the Environment Protection Authority, now part of the Department of Environment and Climate Change (DECC) or the Department of Land and Water Conservation, now the Department of Water and Energy (DWE). However, the Operating Licence does refer to MoUs with these agencies. The purpose of MoUs is to facilitate a cooperative relationship between these organisations to ensure that both parties to the MoU can each meet their objectives.

10.1 Auditor's findings

The implementation of requirements in Clause 3.3 relating to the MoU with NSW Health was assessed as moderate compliance.

Hunter Water has a current MoU with NSW Health. This document requires that the interaction between Hunter Water and NSW Health include consideration of long term strategic issues and that progress be reviewed annually. While there was evidence of the exchange of water quality management, monitoring and improvement plans between the NSW Health and Hunter Water, consideration of long-term strategic issues and the annual review were, generally, not being actively addressed.

10.2 Auditor's recommendations

- R3.1** Maintain and implement the MoU with the Department of Health so that it reflects the current working relationships between the two parties and provides improved strategic direction.
- R3.2** Evaluate the strategic benefits of entering into MoUs with DECC and DWE and if deemed warranted, make representations to these agencies at the Executive level.

10.3 Tribunal's comments

Hunter Water was unable to satisfy all of its requirements related to the maintenance of MoUs with NSW Health, especially those related to provision of strategic direction and annual review.

Hunter Water was able to demonstrate compliance with the development and implementation of Drinking Water Quality Management Plans and the maintenance of an active working relationship with NSW Health. NSW Health expressed the need to review the current MoU "to ensure its applicability and practicality in the future".

Liaison between Hunter Water and both the DECC and DWE was confirmed at the operational level. The auditor established that Hunter Water has actively pursued the matter of MoUs with these agencies. Hunter Water invited both DECC and DWE to enter into new MoUs; however, there was subsequent agreement between the parties that MoUs were not necessary.

The Tribunal supports the auditor's recommendation that Hunter Water maintains and implements the MoU with NSW Health, and will closely monitor the performance of Hunter Water in future audits. However, the Tribunal notes that Hunter Water has agreed to negotiate a new MoU with NSW Health following the introduction of the revised Hunter Water Operating Licence on 1 July 2007. The Tribunal expects that the issues identified by the auditor will be addressed in this new MoU.

The Tribunal acknowledges the difficulty of maintaining MoUs with EPA and DWE, and has since recommended (in the current review of Hunter Water's Operating Licence) that the reference to these two MoUs be deleted.

The Tribunal does not consider that the auditor's recommendations warrant a Ministerial Requirement.

