

Professor **Tom Parry**  
**Chairman**  
NSW Independent **Pricing** and Regulatory Tribunal  
Level 2, 44 **Market Street**  
SYDNEY **NSW 2000**

**Dear Professor Parry**

Thank **you** for the opportunity to review the Independent Pricing and Regulatory Tribunal's (IPART's) issues paper on the **Hunter Water Corporation (HWC)** operating licence. The following comments are provided on Section 2 (regulatory environment) and Section 5 (environmental requirements) of the issues paper, these areas being of specific concern to the Department of Land and Water Conservation (**DLWC**).

#### Regulatory Environment

**DLWC** believes it should continue in the role of **principal water** management regulator for HWC. In this regard, it is considered that regulatory arrangements covered by HWC's water management licence do not need to be duplicated in its operating licence. The operating licence should focus on customer protection, service delivery, performance monitoring, reporting and auditing. This is consistent with one of the key principles in the issues paper, 'avoiding regulatory overlap'.

The issues paper comments on the water management licence issued by **DLWC** to **HWC** and the associated Memorandum of Understanding (**MOU**) between the two organisations. As a voluntary agreement, it is considered inappropriate for the **MOU** to take on the status of an operating licence requirement. It is noted that in addition to these instruments, at the administrative level, cooperative working arrangements for water management have been put in place between **HWC** and **DLWC**, while a strategic liaison committee meets biannually to review any major concerns which may arise with respect to water management.

#### Environmental Requirements (water supply demand management and water resource catchment management)

It is considered that the role of the operating licence for HWC in water supply demand management should be the subject of further discussion between IPART and DLWC. Under the Water Management Act 2000, DLWC has the primary role in demand management for water supply to towns and major utilities through its water management licensing function. For HWC, demand management is further enhanced through the process of reporting annually against a published demand management strategy. This role should not be duplicated in HWC's operating licence.

In this regard, it is noted that HWC's Water Management Licence (Clause 5.14) requires:

*The Hunter Water Corporation must publish a demand management strategy by 31 August each year. The commitments contained within the strategy must be incorporated within the Hunter Water Corporation's Environment Management Plan and reported in its annual environmental report and reviewed by the Ministerial Corporation. The strategy will be made available for inspection by members of the public at any office of the Hunter Water Corporation during office hours and a summary report must be available free of charge. The strategy must include, but not be limited to:*

- a. Time series data showing water use for each of the previous five years, including water consumption for domestic, commercial and industrial customer groupings;*
- b. Analysis of trends in unaccounted water;*
- c. Decision rules for imposing restrictions and the risk of restrictions in the coming months;*
- d. An outline of modelling procedures used for demand projections; and*
- e. Current practices and the potential to manage demand through:*
  - i. Water pricing policies*
  - ii. Water reuse initiatives*
  - iii. Public education programs'*

**The provisions in the current water management licence to HWC are likely to be reinforced when the licence is converted to a major utility access and use approval instrument under the Water Management Act 2000. In addition, the water management committees in the Hunter Region are preparing draft water sharing plans on the understanding that drought management strategies will be developed by DLWC in consultation with individual local utilities, and further, that major utility licences can specify individual water supply reliability and management conditions.**

**In relation to water resources and catchment management, DLWC agrees that HWC's performance against its water resource and catchment management obligations should continue to be publicly reported as part of the operational audit.**

**DLWC would like to continue to have input into the review as appropriate. The Regional Director for the Hunter Region, Ms Cathy Cole, is the key point of contact on this matter, Ms Cole may be contacted on telephone (02) 4929 9801, fax (02) 4929 5306, or e-mail [cmcole@dlwc.nsw.gov.au](mailto:cmcole@dlwc.nsw.gov.au).**

Yours sincerely



Jim Booth  
A/Deputy Director-General

