



Independent Pricing and Regulatory Tribunal  
New South Wales

## Hunter Water Corporation

**Maximum prices for wholesale water, sewerage and trade waste services from 1 January 2018 (excluding services supplied to recycled water systems)**



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The Tribunal members for this review are:

Dr Peter J Boxall AO, Chair

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# Preliminary

## 1 Background

- (a) Section 11 of the *Independent Pricing and Regulatory Tribunal Act 1992* (**IPART Act**) provides IPART with a standing reference to conduct investigations and make reports to the Minister on the determination of the pricing for a government monopoly service supplied by a government agency specified in Schedule 1 of the IPART Act.
- (b) Hunter Water Corporation (**Hunter Water**) is listed as a government agency in Schedule 1 of the IPART Act.
- (c) The services which, if supplied by Hunter Water, are declared as monopoly services under the *Independent Pricing and Regulatory Tribunal (Water, Sewerage and Drainage Services) Order 1997* are:
  - (1) water supply services;
  - (2) sewerage services;
  - (3) stormwater drainage services;
  - (4) trade waste services;
  - (5) services supplied in connection with the provision or upgrading of water supply and sewerage facilities for new developments and, if required, drainage facilities for such developments;
  - (6) ancillary and miscellaneous customer services for which no alternative supply exists and which relate to the supply of services of a kind referred to in paragraphs (1) to (5); and
  - (7) other water supply, sewerage and drainage services for which no alternative supply exists,(together, the **Monopoly Services**).
- (d) Under section 13(6) of the IPART Act, IPART may limit an investigation and report with respect to a government monopoly service to a particular part or category of that service or to a particular period during which the service is provided or in any other manner.

## 2 Scheme-Specific Determinations

- (a) In addition to this determination, IPART may make further determinations under section 11 of the IPART Act of the pricing for particular Monopoly Services supplied by Hunter Water to Wholesale Customers at specified wholesale schemes or Wholesale Connection Points (**Scheme-Specific Determination**).
- (b) A Scheme-Specific Determination may:
  - (1) replace this determination in part;

- (2) be made in respect of Monopoly Services regardless of whether the maximum prices in this determination would otherwise apply to those services; and/or
- (3) apply for a term ending on, or before or after, the end date of this determination.

### 3 Partial Replacement of Determination No. 4, 2016

- (a) Determination No. 4 for Hunter Water Corporation ('Maximum prices for water, sewerage, stormwater drainage and other services from 1 July 2016'), dated June 2016 (the **Current Retail Determination**) fixes the maximum prices, or fixes a methodology for fixing the maximum prices, that Hunter Water may charge for certain Monopoly Services during the term of the Current Retail Determination.
- (b) This determination applies only to those Monopoly Services that are On-Selling Services, as defined in schedule 3. From the Commencement Date, this determination replaces the Current Retail Determination to the extent that the Current Retail Determination sets prices for On-Selling Services. The replacement does not affect anything done or omitted to be done, or rights and obligations accrued, under the Current Retail Determination prior to its replacement.

### 4 Application of this determination

- (a) Under sections 11 and 13A of the IPART Act, this determination sets the methodology for fixing the maximum prices that Hunter Water may charge for supplying the On-Selling Services.
- (b) Maximum prices under this determination do not apply to:
  - (1) any Existing Services;
  - (2) any services that are supplied under a Negotiated Services Agreement;
  - (3) any services that are supplied to a Recycled Water System; or
  - (4) any Infrastructure Services provided by Hunter Water to an access seeker pursuant to an access agreement under section 39 of the *Water Industry Competition Act 2006* (**WIC Act**) or an access determination under section 40 of the WIC Act.
- (c) This determination commences on the later of:
  - (1) 1 January 2018; and
  - (2) the date that it is published in the NSW Government Gazette, (the **Commencement Date**).
- (d) The maximum prices calculated in accordance with this determination apply from the Commencement Date to 30 June 2021.

[**Note:** For the calculation of maximum prices under this determination where the determination has not been replaced by 30 June 2021, see clause 3.3 of schedule 3.  
The term of a Scheme-Specific Determination is not limited to the term of this determination, and may apply for a term ending on a date that is either before or after the end of this determination.]
- (e) This determination may be replaced:

- (1) in whole; or
  - (2) in part, including by a Scheme-Specific Determination.
- (f) Under section 18(2) of the IPART Act, Hunter Water must not fix a price below that calculated in accordance with this determination without the approval of the Treasurer.

## **5 Monitoring**

IPART may monitor the performance of Hunter Water for the purposes of:

- (a) establishing, and reporting to the Minister on, the level of compliance by Hunter Water with this determination; and
- (b) preparing a periodic review of Hunter Water's pricing policies.

## **6 Approach to determining maximum prices**

- (a) In making a determination of the pricing for the On-Selling Services, IPART has had regard to a broad range of matters including the matters set out in section 15(1) of the IPART Act.
- (b) In accordance with section 13A of the IPART Act, IPART has set a methodology for fixing the maximum price for Hunter Water's On-Selling Services.
- (c) As required by section 13A(3) of the IPART Act, IPART's reasons for setting a methodology for fixing a maximum price are set out in schedule 4.

## **7 Pricing schedules**

- (a) Schedule 1 sets out the methodology for fixing the maximum prices for On-Selling Water Services.
- (b) Schedule 2 sets out the methodology for fixing the maximum prices for On-Selling Sewerage Services.

## **8 Definitions, interpretation and miscellaneous provisions**

- (a) Definitions and interpretation provisions used in this determination are set out in clauses 1 and 2 of schedule 3.
- (b) Miscellaneous provisions are set out in clause 3 of schedule 3.

# Schedule 1 On-Selling Water Services

## 1 Application of schedule

This schedule 1 sets the methodology for fixing the maximum prices that Hunter Water may levy for supplying On-Selling Water Services.

[**Note:** The maximum price that Hunter Water may charge for On-Selling Water Services is calculated in accordance with a retail-minus methodology (see clause 2).

The “retail” component is calculated based on the prices that Hunter Water would be able to charge the Retail Supplier’s end-use customers (each referred to in this Determination as a “Property” - see the definition in Schedule 3) under the Retail Determination if Hunter Water supplied those customers (see clause 3). This includes:

- a volumetric water usage charge, calculated based on the volume of water supplied by Hunter Water and adjusted to account for any large customer discounts; and
- the sum of the fixed water service charges that Hunter Water would be able to recover from end-use customers if it supplied those end-use customers directly.

This retail component is then reduced by an amount representing the costs of a “reasonably efficient competitor”, calculated based on the number of end-use customers and, where applicable, the length of reticulation pipeline Downstream of Hunter Water’s Water Infrastructure that is used to supply those end-use customers (see clause 4 and Table 1).

Where Hunter Water supplies water at a connection point and that water is used both for drinking water top-up of a Recycled Water System and for on-selling of water to end-use customers, this determination does not apply (see definition of “On-Selling Water Service” in schedule 3).]

## 2 Maximum prices for On-Selling Water Services

The maximum price that Hunter Water may levy for supplying an On-Selling Water Service to a Wholesale Customer at a Wholesale Connection Point in a Period is the amount calculated as follows:

$$Price = R - C$$

Where:

**Price** is the maximum price that Hunter Water may levy for supplying that On-Selling Water Service to that Wholesale Customer at that Wholesale Connection Point in that Period;



**R** is the Retail Component for that On-Selling Water Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period, calculated in accordance with clause 3.1; and

**C** is the Reasonably Efficient Competitor Costs for that On-Selling Water Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period, calculated in accordance with clause 4.

[**Note:** Where the maximum price calculated under this clause would be negative, see clause 3.1 of schedule 3.]

### 3 Maximum prices for On-Selling Water Services – Retail Component

#### 3.1 Calculation of Retail Component

- (a) The Retail Component for an On-Selling Water Service supplied to a Wholesale Customer at a Wholesale Connection Point in a Period is the amount calculated as follows:

$$R = (V \times WUC) - \sum LCA + \sum WSC$$

Where:

**R** is the Retail Component for that On-Selling Water Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period;

**V** is the volume, in kL, of Filtered Water supplied by Hunter Water to that Wholesale Customer at that Wholesale Connection Point in that Period;

**WUC** is the Standard Water Usage Charge that applies in that Period;

$\sum LCA$  is the sum of the Large Customer Adjustments, determined in accordance with clause 3.1(c), for the Downstream Properties in that Period; and

$\sum WSC$  is the sum of the Water Service Charges, determined in accordance with clause 3.2, for the Downstream Properties in that Period.

- (b) The **Downstream Properties**, in relation to a Wholesale Customer and a Wholesale Connection Point, are the Properties:
- (1) that are Downstream of the Wholesale Connection Point; and
  - (2) to which:
    - (A) that Wholesale Customer; or
    - (B) a Retail Supplier for which that Wholesale Customer is an On-Supplier, supplies water supply services, other than the supply of Recycled Water (the **Retail Water Services**).
- (c) The **Large Customer Adjustment** applies to a Property in a Period where that Property is:

- (1) a Metered Property located in an area in which a Large Customer Water Usage Charge applies; and
- (2) a Property to which the Wholesale Customer supplies more than 50,000kL of Filtered Water in that Period.

The Large Customer Adjustment for a Property in a Period is the amount calculated as follows:

$$LCA = (LCV - 50,000kL) \times (SWUC - LWUC)$$

Where:

**LCA** is the Large Customer Adjustment for that Property in that Period;

**LCV** is the volume of Filtered Water, in kL, supplied to that Property by the relevant Wholesale Customer in that Period;

**SWUC** is the Standard Water Usage Charge that applies in that Period; and

**LWUC** is the Large Customer Water Usage Charge that applies in that Period and in the area in which the Property is located.

[**Note:** Under the Current Retail Determination, maximum water usage charges are set under clause 6 of schedule 1.]

### **3.2 Water Service Charges**

- (a) The Water Service Charge for a Property in a Period is equal to the maximum water supply service charge that Hunter Water would be able to charge under the Retail Determination for supplying the Retail Water Services, if Hunter Water supplied the Retail Water Services.
- (b) For the avoidance of doubt, where:
  - (1) the Wholesale Customer or other Retail Supplier supplies the Retail Water Services to a Property for only part of a Period; and
  - (2) for that reason, the amount that Hunter Water would be able to charge under the Retail Determination for supplying the Retail Water Services would be reduced,then the Water Service Charge for that Property in that Period is reduced accordingly.

[**Note:** Under the Current Retail Determination, maximum water supply service charges are set under clauses 3, 4, 5 and 7 of schedule 1.]

## **4 Maximum prices for On-Selling Water Services – Reasonably Efficient Competitor Costs**

The Reasonably Efficient Competitor Costs for an On-Selling Water Service supplied to a Wholesale Customer at a Wholesale Connection Point in a Period is the amount calculated as follows:

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$$C = (C_{Retail} \times n_{Properties} + C_{Reticulation} \times L_{Pipeline}) \times CPI_{Period}$$

Where:

**C** is the Reasonably Efficient Competitor Costs for that On-Selling Water Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period;

**C<sub>Retail</sub>** is the amount, in dollars per Property, as set out in Table 1;

**n<sub>Properties</sub>** is the mean number of Downstream Properties in that Period;

**C<sub>Reticulation</sub>** is the amount, in dollars per kilometre, as set out in Table 1;

**L<sub>Pipeline</sub>** is the mean total length of pipe, in kilometres, that is in that Period:

- (a) operated by a Network Operator; and
- (b) used to convey water from Water Infrastructure owned by Hunter Water to Downstream Properties in that Period; and

**CPI<sub>Period</sub>** is the CPI Factor for that Period.

## Table 1

**Table 1 Reasonably Efficient Competitor Costs – On-Selling Water Services**

<b>C<sub>Retail</sub> (\$/Property)</b>	<b>C<sub>Reticulation</sub> (\$/km)</b>
\$131.71	\$4,027.85

## Schedule 2 On-Selling Sewerage Services

### 1 Application of schedule

This schedule 2 sets the methodology for fixing the maximum prices that Hunter Water may levy for supplying On-Selling Sewerage Services.

[**Note:** The maximum price that Hunter Water may charge for On-Selling Sewerage Services (which can include both sewerage and trade waste services) is calculated in accordance with a retail-minus methodology (see clause 2).

The “retail” component is calculated based on the prices that Hunter Water would be able to charge the Retail Supplier’s end-use customers (each referred to in this Determination as a “Property” - see the definition in Schedule 3) under its prevailing Retail Determination if Hunter Water supplied those customers (see clause 3). This includes the sum of:

- the sewerage usage charges;
- the sewerage service charges (including, where applicable, any environmental improvement charge); and
- the trade waste charges (other than certain specified charges, eg, charges for administering agreements for trade waste services),

that Hunter Water would be able to charge end-use customers if it supplied those end-use customers directly. Where Hunter Water supplies a trade waste service to the relevant Wholesale Customer, Hunter Water may also levy the administrative charges that would otherwise apply under the Retail Determination in relation to the relevant agreement for trade waste services.

This retail component is then reduced by an amount representing the costs of a “reasonably efficient competitor”, calculated based on the number of end-use customers and, where applicable, the length of reticulation pipeline Upstream of Hunter Water’s Sewerage Infrastructure that is used to serve end-use customers (see clause 4 and Table 2).]

[**Note:** This schedule does not apply where Hunter Water supplies sewerage or trade waste services to a Recycled Water System, even if the service would otherwise be an “On-Selling Sewerage Service” (see definition of “On-Selling Sewerage Service” in schedule 3).]

### 2 Maximum prices for On-Selling Sewerage Services

The maximum price that Hunter Water may levy for supplying an On-Selling Sewerage Service to a Wholesale Customer at a Wholesale Connection Point in a Period is the amount calculated as follows:

$$Price = R - C$$

Where:

**Price** is the maximum price that Hunter Water may levy for supplying that On-Selling Sewerage Service to that Wholesale Customer at that Wholesale Connection Point in that Period;

**R** is the Retail Component for that On-Selling Sewerage Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period, calculated in accordance with clause 3.1; and

**C** is the Reasonably Efficient Competitor Costs for that On-Selling Sewerage Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period, calculated in accordance with clause 4.

[**Note:** Where the maximum price calculated under this clause would be negative, see clause 3.1 of schedule 3.]

### 3 Maximum prices for On-Selling Sewerage Services – Retail Component

#### 3.1 Calculation of Retail Component

- (a) The Retail Component for an On-Selling Sewerage Service supplied to a Wholesale Customer at a Wholesale Connection Point in a Period is the amount calculated as follows:

$$R = \sum SUC + \sum SSC + \sum TWC + TWAC$$

Where:

**R** is the Retail Component for that On-Selling Sewerage Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period;

$\sum SUC$  is the sum of the Sewerage Usage Charges, determined in accordance with clause 3.2, for the Upstream Properties in that Period;

$\sum SSC$  is the sum of the Sewerage Service Charges, determined in accordance with clause 3.3, for the Upstream Properties in that Period;

$\sum TWC$  is the sum of the Trade Waste Charges, determined in accordance with clause 3.4, for the Upstream Properties in that Period; and

**TWAC** is the Trade Waste Agreement Charge, determined in accordance with clause 3.5, for the Wholesale Customer at that Wholesale Connection Point in that Period.

- (b) The **Upstream Properties**, in relation to a Wholesale Customer and a Wholesale Connection Point, are the Properties:
- (1) that are Upstream of the Wholesale Connection Point; and
  - (2) to which:
    - (A) that Wholesale Customer; or
    - (B) a Retail Supplier for which that Wholesale Customer is an On-Supplier,

supplies:

- (C) sewerage services (the **Retail Sewerage Services**); and/or
- (D) trade waste services (the **Retail Trade Waste Services**).

### **3.2 Sewerage Usage Charges**

The Sewerage Usage Charge for a Property in a Period is equal to the maximum sewerage usage charge that Hunter Water would be able to charge (if any) under the Retail Determination for supplying the Retail Sewerage Services, if Hunter Water supplied the Retail Sewerage Services.

[**Note:** Under the Current Retail Determination, maximum sewerage usage charges are set under clause 7 of schedule 2.]

### **3.3 Sewerage Service Charges**

- (a) The Sewerage Service Charge for a Property in a Period is equal to the maximum sewerage service charge and, where applicable, any environmental improvement charge that Hunter Water would be able to charge under the Retail Determination for supplying the Retail Sewerage Services, if Hunter Water supplied the Retail Sewerage Services.
- (b) For the avoidance of doubt, where:
  - (1) the Wholesale Customer or other Retail Supplier supplies the Retail Sewerage Services to a Property for only part of a Period; and
  - (2) for that reason, the amount that Hunter Water would be able to charge under the Retail Determination for supplying the Retail Sewerage Services would be reduced,then the Sewerage Service Charge for that Property in that Period is reduced accordingly.

[**Note:** Under the Current Retail Determination, maximum sewerage service charges are set under clauses 3, 4, 5 and 6 of schedule 2.]

### **3.4 Trade Waste Charges**

- (a) Subject to paragraph (b), the Trade Waste Charge for a Property in a Period is equal to the sum of the fees and charges that Hunter Water would be able to charge under the Retail Determination for supplying the Retail Trade Waste Services, if Hunter Water supplied the Retail Trade Waste Services.
- (b) For the purposes of paragraph (a), the Trade Waste Charge for a Property does not include any fee or charge that Hunter Water would otherwise be able to charge for:
  - (1) establishing, administering, renewing or varying a Trade Wastewater Agreement for the supply of trade waste services to that Property;
  - (2) conducting inspections in relation to trade waste services supplied to that Property; or
  - (3) processing applications in relation to trade waste services,if it supplied the Retail Trade Waste Services.

[**Note:** Under the Current Retail Determination, agreement charges are set under clauses 2(a) and (b), 3(a) and (b), 4(a) and (b) and 5(a) of Schedule 4 and Table 19. Other Trade Waste Charges are set under clauses 2(c) to (e), and 5(b) and (c) of schedule 4 and Tables 20 to 22.]

### 3.5 Trade Waste Agreement Charge

- (a) The Trade Waste Agreement Charge for a Wholesale Customer at a Wholesale Connection Point in a Period is equal to the sum of the fees and charges that Hunter Water would be able to charge under the Retail Determination for the following services that it supplies to the Wholesale Customer:
- (1) establishing, administering, renewing or varying a Trade Wastewater Agreement with the Wholesale Customer;
  - (2) conducting inspections in relation to trade waste services supplied to the Wholesale Customer; and
  - (3) processing applications in relation to trade waste services supplied to the Wholesale Customer.
- (b) For the avoidance of doubt, if Hunter Water does not supply a trade waste service to a Wholesale Customer at a Wholesale Connection Point in a Period, the relevant Trade Waste Agreement Charge is zero.

[**Note:** Under the Current Retail Determination, agreement charges are set under clauses 2(a) and (b), 3(a) and (b), 4(a) and (b), and 5(a) of schedule 4 and Table 19. Other Trade Waste Charges are set under clauses 2(c) to (e), and 5(b) and (c) of schedule 4 and Tables 20 to 22.]

## 4 Maximum prices for On-Selling Sewerage Services – Reasonably Efficient Competitor Costs

The Reasonably Efficient Competitor Costs for an On-Selling Sewerage Service supplied to a Wholesale Customer at a Wholesale Connection Point in a Period is the amount calculated as follows:

$$C = (C_{Retail} \times n_{Properties} + C_{Reticulation} \times L_{Pipeline}) \times CPI_{Period}$$

Where:

**C** is the Reasonably Efficient Competitor Costs for that On-Selling Sewerage Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period;

**C<sub>Retail</sub>** is the amount, in dollars per Property, as set out in Table 2;

**n<sub>Properties</sub>** is the mean number of Upstream Properties in that Period;

**C<sub>Reticulation</sub>** is the amount, in dollars per kilometre, as set out in Table 2;

**L<sub>Pipeline</sub>** is the mean total length of pipe, in kilometres, that is in that Period:

- (a) operated by a Network Operator; and
- (b) used to convey wastewater or trade waste from Upstream Properties to Sewerage Infrastructure owned by Hunter Water; and



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$CPI_{\text{Period}}$  is the CPI Factor for that Period.

## Table 2

**Table 2 Reasonably Efficient Competitor Costs – On-Selling Sewerage Services**

<b>C<sub>Retail</sub> (\$/Property)</b>	<b>C<sub>Reticulation</sub> (\$/km)</b>
\$81.68	\$7,904.58

# Schedule 3 Definitions, interpretation and miscellaneous provisions

## 1 Definitions

### 1.1 Defined terms

In this determination:

**Area of Operations** means the area of operations referred to in section 16 of the Hunter Water Act.

**Commencement Date** has the meaning given in clause 4(c) of the Preliminary section of this determination.

**CPI** means:

- (a) the consumer price index, All Groups index number for the weighted average of eight capital cities as published by the Australian Bureau of Statistics; or
- (b) if the Australian Bureau of Statistics does not or ceases to publish the index, then CPI will mean an index determined by IPART.

**CPI Factor** means for a Period, CPI for the March quarter immediately preceding that Period, divided by CPI for the March quarter of 2017.

**Current Retail Determination** has the meaning given in clause 3(a) of the Preliminary section of this determination.

**Downstream** means, in relation to a Wholesale Connection Point:

- (a) where the service supplied at that Wholesale Connection Point is a water supply service – in the direction of flow along Water Infrastructure away from that Wholesale Connection Point and toward the Retail Customers; or
- (b) where the service supplied at that Wholesale Connection Point is a sewerage service or trade waste service – in the direction of flow along Sewerage Infrastructure away from the Retail Customers and toward that Wholesale Connection Point.

**Downstream Property** has the meaning given in clause 3.1(b) of schedule 1.

**Existing Service** means a Monopoly Service supplied by Hunter Water to a customer, where Hunter Water commenced supplying that Monopoly Service to the relevant customer prior to the Commencement Date. For the purposes of this definition, Hunter Water has “commenced supplying” a Monopoly Service only if:

- (a) the supply of that Monopoly Service is provided for under an agreement between Hunter Water and the relevant customer formed prior to the Commencement Date and which remains on foot as at the Commencement Date; or
- (b) there is, at the Commencement Date, a connection between Hunter Water's Water Industry Infrastructure and:
  - (1) the Water Industry Infrastructure that is operated by the relevant customer, or by means of which the relevant customer supplies or provides water or a sewerage service; or
  - (2) the Water Industry Infrastructure that will be operated by the relevant customer, or will be the means by which the relevant customer supplies or provides water or sewerage services, at a future date.

**Filtered Water** means water that has been treated at a water filtration plant.

**GST** means the Goods and Services Tax as defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

**Hunter Water** means Hunter Water Corporation, as defined in clause 1(b) of the Preliminary section of this determination, constituted under the Hunter Water Act.

**Hunter Water Act** means the *Hunter Water Act 1991* (NSW).

**Infrastructure Service** has the meaning given to that term in the WIC Act.

**IPART** means the Independent Pricing and Regulatory Tribunal of New South Wales established under the IPART Act.

**IPART Act** means the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW).

**Large Customer Adjustment** has the meaning given in clause 3.1(c) of schedule 1.

**Large Customer Water Usage Charge** means, for a Period, the water usage charge, per kL, that Hunter Water may levy under the Retail Determination for supplying each kL of Filtered Water above 50,000 kL to a Metered Property in that Period, where that water usage charge differs from the Standard Water Usage Charge.

**Meter** means an apparatus for the measurement of water usage, and includes such an apparatus that can be read remotely.

**Meter Reading Period** has the meaning given in the Retail Determination.

**Metered Property** has the meaning given in the Retail Determination.

**Monopoly Service** has the meaning given in clause 1(c) of the Preliminary section of this determination.

**Negotiated Services Agreement** means a written agreement between Hunter Water and a Wholesale Customer:

- (a) under which Hunter Water agrees to supply a Monopoly Service to that Wholesale Customer at a price that is not a maximum price fixed in accordance with the methodology for fixing a maximum price set out in this determination for that Monopoly Service; and
- (b) which is entered into after the Commencement Date.

**Network Operator** means a person who is authorised under a licence or authorisation under the WIC Act to operate Water Industry Infrastructure.

**New Retail Determination** has the meaning given in clause 2.6 of this schedule 3.

**On-Selling Service** means:

- (a) an On-Selling Water Service; or
- (b) an On-Selling Sewerage Service.

**On-Selling Sewerage Service** means a Monopoly Service that is:

- (a) a sewerage service or a trade waste service; and
- (b) supplied by Hunter Water (including by means of a tanker) to a Wholesale Customer at a Wholesale Connection Point; and
- (c) used by the Wholesale Customer, or a Retail Supplier for which that Wholesale Customer is an On-Supplier, to supply a sewerage service or a trade waste service:
  - (1) within Hunter Water's Area of Operations; and
  - (2) to Retail Customers Upstream of that Wholesale Connection Point; and
- (d) not an Existing Service; and
- (e) not supplied under a Negotiated Services Agreement; and
- (f) not supplied to a Recycled Water System.

**On-Selling Water Service** means a Monopoly Service that is:

- (a) a water supply service; and
- (b) supplied by Hunter Water to a Wholesale Customer at a Wholesale Connection Point; and
- (c) used by the Wholesale Customer, or a Retail Supplier for which that Wholesale Customer is an On-Supplier, to supply a water supply service (other than the supply of Recycled Water):
  - (1) within Hunter Water's Area of Operations; and
  - (2) to Retail Customers Downstream of that Wholesale Connection Point; and
- (d) not an Existing Service; and
- (e) not supplied under a Negotiated Services Agreement; and
- (f) not supplied to a Recycled Water System.

**On-Supplier** has the meaning given in clause 1.2 of this schedule 3.

**Period** means:

- (a) the period beginning on the Commencement Date and ending on 30 June 2018; and
- (b) thereafter, each 12 month period beginning on 1 July and ending on the following 30 June.

For the avoidance of doubt, where this determination is replaced in part, the new determination may stipulate the date on which a Period ends in so far as this determination is replaced.

**Property** has the meaning given to that term in the Retail Determination.

[**Note:** In the Current Retail Determination, “Property” is defined in schedule 7 to mean:

- (a) a strata title lot (other than utility lots within the meaning of section 39 of the *Strata Schemes (Freehold Development) Act 1973* (NSW));
- (b) a company title dwelling;
- (c) a community development lot;
- (d) a building or part of a building used, or available to be used, as a separate place of domicile or separate place of business, other than a building to which paragraphs (a) to (c) apply;
- (e) land (including vacant land);
- (f) a hotel or motel;
- (g) a backpackers hostel; or
- (h) a boarding house.]

**Reasonably Efficient Competitor Costs:**

- (a) where that term is used in Schedule 1, has the meaning given in clause 4 of Schedule 1; and
- (b) where that term is used in Schedule 2, has the meaning given in clause 4 of Schedule 2.

**Recycled Water** means water that has been treated to enable its use for certain industrial, commercial and/or household applications, but is not intended to meet the standards for drinking water required by the National Health and Medical Research Council’s Australian Drinking Water Guidelines, as amended from time to time.

**Recycled Water Plant** means a facility that:

- (a) is for the treatment of water or sewage, or both, to produce non-potable water; and
- (b) has received the written approval of the Minister administering Part 2 of the WIC Act to commence commercial operation.

[**Note:** Under Schedule 1, clause 2 of the *Water Industry Competition (General) Regulation 2008*, it is a condition of all Network Operators' licences that the licensee must not bring any new water or sewerage infrastructure into commercial operation without the written approval of the Minister.]

**Recycled Water System** means Water Industry Infrastructure that a Wholesale Customer is licensed or authorised to operate under the WIC Act and that:

- (a) is a Recycled Water Plant; or
- (b) is connected to a Recycled Water Plant.

**Retail Component:**

- (a) where that term is used in Schedule 1, has the meaning given in clause 3.1(a) of Schedule 1; and
- (b) where that term is used in Schedule 2, has the meaning given in clause 3.1(a) of Schedule 2.

**Retail Customer** means a Property to which a Retail Supplier supplies a water supply service (including, for the avoidance of doubt, the supply of Recycled Water), sewerage service or trade waste service by means of Water Industry Infrastructure.

**Retail Determination** means:

- (a) the Current Retail Determination; or
- (b) a New Retail Determination,

as the case may be.

**Retail Sewerage Service** has the meaning given in clause 3.1(b) of schedule 2.

**Retail Supplier** means a person who is authorised under a licence or authorisation under the WIC Act to provide:

- (a) water supply services by means of Water Infrastructure; or
- (b) sewerage services by means of Sewerage Infrastructure.

**Retail Trade Waste Service** has the meaning given in clause 3.1(b) of schedule 2.

**Retail Water Service** has the meaning given in clause 3.1(b) of schedule 1.

**Scheme-Specific Determination** has the meaning given in clause 2(a) of the Preliminary section of this determination.

**Sewerage Infrastructure** has the meaning given to that term in the WIC Act.

**Sewerage Service Charge** has the meaning given in clause 3.3 of Schedule 2.

**Sewerage Usage Charge** has the meaning given in clause 3.2 of Schedule 2.

**Standard Water Usage Charge** means, for a Period, the water usage charge, per kL, that Hunter Water may levy under the Retail Determination for supplying each kL of Filtered Water up to and including 50,000 kL to a Metered Property in that Period.

**Trade Waste Agreement Charge** has the meaning given in clause 3.5 of Schedule 2.

**Trade Waste Charge** has the meaning given in clause 3.4 of Schedule 2.

**Trade Wastewater Agreement** means an agreement for the provision of trade waste services.

**Upstream** means in the direction opposite to Downstream.

**Upstream Property** has the meaning given in clause 3.1(b) of schedule 2.

**Water Industry Infrastructure** has the meaning given to that term in the WIC Act.

**Water Infrastructure** has the meaning given to that term in the WIC Act.

**Water Service Charge** has the meaning given in clause 3.2 of Schedule 1.

**Wholesale Connection Point** means:

- (a) for an On-Selling Service, a Water Industry Infrastructure connection point at which Hunter Water supplies that On-Selling Service to a Wholesale Customer; or
- (b) for an On-Selling Service supplied by Hunter Water that is a sewerage service or trade waste service supplied by means of a tanker, the point at which the tanker collects the relevant waste.

[**Note:** For situations where the same Retail Customer is Upstream (in the case of an On-Selling Sewerage Service) or Downstream (in the case of an On-Selling Water Service) of more than one Wholesale Connection Point, see clause 3.2 of this schedule 3.]

**Wholesale Customer** means:

- (a) a Retail Supplier;
- (b) a Network Operator; or
- (c) any other person who is an On-Supplier.

[**Note:** An “On-Supplier” could be a person exempt from licensing requirements under the WIC Act.]

**WIC Act** means the *Water Industry Competition Act 2006* (NSW).

## 1.2 Meaning of On-Supplier

- (a) Subject to paragraphs (b) and (c), **On-Supplier** means a person who supplies a water supply service, sewerage service or trade waste service to:
  - (1) a Retail Supplier; or
  - (2) any other person who supplies any of those services as part of a supply chain to a Retail Supplier.
- (b) For the purposes of paragraph (a)(1), a person is not an On-Supplier to the extent that they supply a service by means of a tanker.
- (c) For the purposes of paragraph (a)(2), a “supply chain” excludes any person who supplies a service by means of a tanker.



- (d) Subject to paragraphs (b) and (c), a person is an On-Supplier to a particular Retail Supplier if that person supplies a water supply service, sewerage service or trade waste service:
  - (1) to that Retail Supplier; or
  - (2) to any other person who supplies any of those services as part of a supply chain to that Retail Supplier.

## **2 Interpretation**

### **2.1 General provisions**

In this determination, unless the contrary intention appears:

- (a) headings are for convenience only and do not affect the interpretation of this determination;
- (b) a reference to a schedule, clause or table is a reference to a schedule to, clause of or table in this determination unless otherwise indicated;
- (c) a construction that would promote the purpose or object expressly or impliedly underlying the IPART Act is to be preferred to a construction that would not promote that purpose or object;
- (d) words importing the singular include the plural and vice versa;
- (e) a reference to a law or statute includes regulations, rules, codes and other instruments under it and consolidations, amendments, re-enactments or replacements of them;
- (f) where a word is defined, other grammatical forms of that word have a corresponding meaning;
- (g) a reference to a day is to a calendar day;
- (h) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation), replacements and assigns;
- (i) a reference to an officer includes a reference to the officer which replaces it or which substantially succeeds to its powers or functions; and
- (j) a reference to a body, whether statutory or not:
  - (1) which ceases to exist; or
  - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

### **2.2 Explanatory notes, simplified outline, examples and clarification notices**

- (a) Explanatory notes, simplified outlines and examples do not form part of this determination, but in the case of uncertainty may be relied on for interpretation purposes.

- (b) IPART may publish a clarification notice in the NSW Government Gazette to correct any manifest error in or to clarify any part of this determination. Such a clarification notice is taken to form part of this determination.

## **2.3 Prices exclusive of GST**

Prices or charges specified in this determination do not include GST.

## **2.4 Billing**

- (a) For the avoidance of doubt, nothing in this determination affects when Hunter Water may issue a bill or invoice to a customer for prices or charges under this determination.
- (b) Hunter Water must levy any charge applying in this determination on a pro-rata basis, where:
  - (1) a Meter Reading Period traverses more than one Period; or
  - (2) a billing period covers part of a Period.

## **2.5 Apparatus for checking quantity of water used**

For the purposes of this determination, where an apparatus is used by Hunter Water to check on the quantity of water use recorded by a Meter, that apparatus will not fall within the definition of a Meter.

## **2.6 Calculating prices under this determination where the Retail Determination has been replaced**

Where the Retail Determination has been replaced, in whole or in part, by another determination (the **New Retail Determination**) other than this determination, a reference in this determination:

- (a) to the Retail Determination is a reference to the New Retail Determination;
- (b) to a maximum price or charge that Hunter Water may charge under the Retail Determination for supplying a certain service is a reference to the maximum price or charge that Hunter Water may charge under the New Retail Determination for supplying the same service; and
- (c) to a term that is defined in the Retail Determination has the meaning given to that term in the New Retail Determination,

unless the New Retail Determination provides otherwise.

# **3 Miscellaneous**

## **3.1 No negative prices**

Where a maximum price for an On-Selling Service, supplied to a Wholesale Customer in a Period calculated under:

- (a) clause 2 of schedule 1; or
- (b) clause 2 of schedule 2,

would be less than zero, the maximum price for that On-Selling Service supplied to that Wholesale Customer in that Period is taken to be zero.

### **3.2 No double counting of Retail Customers**

(a) Where:

- (1) Hunter Water supplies an On-Selling Service that is used by a Retail Supplier to supply water supply services to a Retail Customer; and
- (2) that Retail Customer is located Downstream of two or more Wholesale Connection Points,

then, for the purposes of calculating the maximum price that Hunter Water may levy for supplying that On-Selling Service at those Wholesale Connection Points, that Retail Customer is to be included, in the calculation of any price or quantity, for only one of those Wholesale Connection Points.

(b) Where:

- (1) Hunter Water supplies an On-Selling Service that is used by a Retail Supplier to supply sewerage services or trade waste services to a Retail Customer; and
- (2) that Retail Customer is located Upstream of two or more Wholesale Connection Points,

then, for the purposes of calculating the maximum price that Hunter Water may levy for supplying that On-Selling Service at those Wholesale Connection Points, that Retail Customer is to be included, in the calculation of any price or quantity, for only one of those Wholesale Connection Points.

### **3.3 Calculating prices under this determination after 30 June 2021**


- (a) To the extent that this determination has not been replaced by 30 June 2021, the maximum prices that Hunter Water may charge for an On-Selling Service under this determination continue to apply beyond 30 June 2021.
- (b) For the avoidance of doubt, where this determination refers to a price or charge set under the Retail Determination, maximum prices that Hunter Water may levy for an On-Selling Service under this determination are to be calculated using the price or charge set under the Retail Determination at that time.

### **3.4 Calculating Reasonably Efficient Competitor Costs where Period is less than 12 months**

Where a Period is less than 12 months, then for the purposes of calculating the Reasonably Efficient Competitor Costs for an On-Selling Service supplied to a Wholesale Customer at a Wholesale Connection Point in that Period under:

- (a) clause 4 of schedule 1; or
- (b) clause 4 of schedule 2,

the amount calculated using the formula in that clause is to be multiplied by the following:


$$\frac{n_{Period}}{n_{Year}}$$

Where:

$n_{Period}$  is the number of days in that Period; and

$n_{Year}$  is the number of days in the year ending 30 June in which that Period falls.

## Schedule 4 Statement of reasons why IPART has chosen to set a methodology for fixing a maximum price

Under section 13A of the IPART Act, IPART may fix maximum prices, or may set a methodology for fixing maximum prices, for the Monopoly Services.

In this determination, IPART has set a methodology for fixing the maximum prices that Hunter Water may charge for:

- ▼ On-Selling Water Services; and
- ▼ On-Selling Sewerage Services.

IPART has set a methodology because it is impractical to make a determination directly fixing the maximum price for these On-Selling Services.

IPART's decision is to apply a retail-minus reasonably efficient competitor cost price for these On-Selling Services. A retail-minus reasonably efficient competitor cost price varies with:

- ▼ the number of end-use customers of each type and connection size;
- ▼ the total number of end-use customers served by the retail supplier; and
- ▼ the length of pipeline used to supply end-use customers.

It would be impractical to attempt to apply a retail-minus approach through a determination directly fixing a price, because such a price would not account for variations in the factors above. A methodology allows the necessary flexibility to apply a retail-minus approach that varies with the above factors.