



HUNTER WATER RESPONSE TO IPART

**SUPPLEMENTARY DRAFT DETERMINATION
AND DRAFT REPORT
ON PRICES FOR WHOLESALE WATER AND
SEWERAGE SERVICES**

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Enquiries regarding this submission should be directed to Hunter Water Corporation's Manager, Regulatory Policy.

Telephone: [REDACTED]

Email: price.review@hunterwater.com.au

Hunter Water Corporation

Response to IPART's Draft Determination and Supplementary Draft Report on prices for wholesale water and sewerage services

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Hunter Water Corporation

36 Honeysuckle Drive, Newcastle

PO Box 5171, Hunter Region Mail Centre, NSW 2310

www.hunterwater.com.au

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EXECUTIVE SUMMARY

This inaugural review of wholesale prices is the first of its kind in the Australian water sector. The review has considered a number of complex issues around the process of setting prices for the provision of wholesale services to private utility schemes with different characteristics across two public utility areas. Hunter Water supports the majority of IPART's draft decisions relating to the regulatory framework for the setting of wholesale prices.

Hunter Water response to IPART's *Prices for wholesale water and sewerage services, Draft Determination and Supplementary Draft Report, March 2017*, provides high-level comments on three key issues for this review:

- Pricing structures – in particular the pricing of recycled water waste disposal
- Pricing levels – the level of retail-minus discounts
- Pricing process – the regulatory framework of setting system-wide prices while allowing a separate determination of scheme-specific prices that take account of facilitation costs.

Throughout the course of this two-year review, Hunter Water has emphasised the importance of establishing the right pricing structures in this first determination of wholesale prices. Decisions made in this review will have enduring consequences for investment and competition in the urban water sector in both the Lower Hunter and Sydney. IPART's wholesale pricing framework will support competition in the market for end-use water and sewerage services to occur where it is efficient, which should benefit all customers and consumers over time. A determination that encouraged inefficient market entry would not be in the public interest and would be difficult to amend in the future if it unfavourably affected the financial viability of private schemes that had relied on IPART's pricing decisions.

IPART has had to find a balance that recognises the regulatory obligation on public water utilities to supply water and wastewater services at 'postage stamp' prices, the presence of private water utilities seeking bundled services from the public utilities at the boundary of new developments, and a broader goal of encouraging private entry and competition in a sector where public utilities have held monopoly status. Hunter Water considers that IPART's supplementary draft decisions represent good regulatory practice as they are based on the concept of ensuring a competitively neutral pricing structure for all parties, albeit with some temporary dispensations to support new entrants during this early stage of market development.

The fundamental issue for this review has centred on the pricing of recycled water waste that is discharged to a public water utilities' wastewater system. The relative difference in revenues between non-residential prices or any form of retail-minus pricing is substantial. IPART's supplementary decision to extend retail-minus pricing to sewerage on-selling in the presence of a recycled water scheme accepts that a pricing structure that set wholesale prices using non-residential prices could drive inefficient investment in recycled water schemes to capture the difference in regulated retail and wholesale prices. Private entry to the sector should be encouraged where the private operator delivers a more efficient service in some way, not as a consequence of arbitraging differences in regulated wastewater prices. Hunter Water endorses the rationale and judgment outlined in IPART's supplementary draft report on this key decision.

Hunter Water supports retail-minus pricing of water and wastewater services supplied to private water utilities that are on-sold to end-use customers within a new development. Hunter Water agrees with IPART's reasoning for supporting this approach, but questions the method used to derive the retail-minus estimates. IPART has formed a view that there are public policy reasons for supporting a 'reasonably efficient competitor' cost standard as part of this wholesale price determination. Hunter Water's objections to IPART exposing the public water utility to a level of cost under-recovery are detailed in earlier submissions to the review.

The practical effect of IPART's application of the 'reasonably efficient' approach is disproportionately large, noting that the minus component has increased further, from already high estimates, in the supplementary report. In the case of supplying bulk drinking water to a private utility, Hunter Water remains responsible for all water catchment management activities and charges, the full water treatment operation, building and maintaining water network assets from the treatment plant to the new development, and providing a retail service to the private utility by way of negotiating and managing utility services agreements. The private water utility is only responsible for managing the retail relationship with end-use customers and maintaining the newly commissioned local reticulation assets.

Under IPART's system-wide water prices for Hunter Water, the minus component represents somewhere in the order of a 35 per cent to 60 per cent discount for a greenfield scheme – using IPART's own numbers and typical water usage levels in the Lower Hunter. From Hunter Water's perspective, there are some minor savings in billing, postage, and call centre work, and reticulation maintenance costs in future decades, but the percentage saving in avoided costs would be in order of less than 5 per cent. The difference between 5 per cent and more than 50 per cent is significant.

Hunter Water welcomes IPART's stated intent to transition to a form of retail-minus 'efficient cost' methodology in the future. A weakness of IPART's current approach is the reliance on secondary sources to calculate the retail-minus components for retail and reticulation costs, which relies on simplifying assumptions about a hypothetical small new entrant, information from other industries, and a list of best estimates and approximations. This approach is understandable given the early stages of market development however in some cases, the consultant's assumptions do not align with standard practices in the sector – for example, metering installation and metering technology. An approach that uses cost information from the public water utility, at least as the starting point, would provide a more robust estimate of actual retail and reticulation costs. A shift to 'as efficient' methodology would rely on this approach.

IPART's draft decisions on the pricing review process are sensible and workable. Hunter Water supports a four-year determination of system-wide wholesale prices. This provides a degree of price certainty for investors in private water utilities and allows time for the market to develop and evolve before IPART revisits key questions around the level of prices. IPART has flagged further work on component pricing for Hunter Water and Sydney Water that would provide retail and reticulation cost information that could feed into the next wholesale price determination.

Hunter Water supports the idea of scheme-specific determinations, consistent with the process outlined in the supplementary report. IPART accepts that it needs to apply a materiality test prior to initiating all of the work needed to complete a separate price determination. Hunter Water agrees that it makes sense to assess the recovery of costs for those private utility schemes where facilitation costs, both positive costs and cost savings, are likely to be material.

IPART will be in a better position to judge the finer details of system-wide and scheme-specific wholesale prices at the next review in 2020-21 having established the key features of the regulatory design in this review. Similarly, public and private water utilities will be able to focus on key elements of cost structures within an established regulatory framework.

1 INTRODUCTION

Hunter Water welcomes the opportunity to respond to the Independent Pricing and Regulatory Tribunal's (IPART's) *Prices for wholesale water and sewerage services – Sydney Water Corporation and Hunter Water Corporation – Supplementary Draft Determination and Supplementary Draft Report* (the supplementary report) as published on 27 March 2017.

Hunter Water's response to the supplementary report comments on three matters:

1. Recycled water scheme waste disposal
2. Reasonably efficient competitor costs including the quantum of the minus discount
3. Implementing wholesale prices

Hunter Water's position on the other draft decisions remain as stated in Hunter Water's response to IPART's 2016 Draft Determination and Draft Report (the draft report).¹

Hunter Water has identified a number of areas where it considers that IPART's should review the legal drafting of the Draft Determination (March 2017) – as detailed in Appendix A.

¹ Hunter Water, 2016, Appendix A.

2 RECYCLED WATER SCHEME WASTE DISPOSAL

Hunter Water supports IPART's decision in the supplementary report that retail-minus prices would apply to sewerage on-selling, including where a wholesale customer operates a recycled water plant that discharges waste to a public water utility's sewerage system. The retail-minus pricing approach is the most appropriate approach in the current legislative and policy environment. It is also a more pragmatic approach than the draft decision that included complicated provisions to cater for situations when a recycled water plant is bypassed or only treats wastewater from some end-use customers.²

IPART's pricing framework is sufficiently flexible to lower the wholesale price to reflect the deferral benefits (cost savings) that a public water utility and its customers receive due to the presence of a wholesale customer's recycled water scheme.

Hunter Water notes that:

1. IPART has decided not to include facilitation costs (savings) in system-wide prices based on independent advice that *"at this stage, these cost savings or benefits of wholesale customer's schemes to wholesale service providers, such as those associated with recycled water plants, can only be determined with a reasonable degree of accuracy on a scheme by scheme basis"*.³
2. There continues to be divergent views on the materiality of cost savings.⁴

Hunter Water has reviewed Oakley Greenwood's report to IPART on the cost impacts of recycled water schemes and is broadly in agreement with the conclusion that:⁵

- *a recycled water plant is likely to have cost impacts for wholesale service providers in relation to both upstream (water) and downstream (sewerage) services*
- *the magnitude and direction of these impacts is dependent on a number of factors, and*
- *system-wide cost impacts can be derived for some elements, however there are potentially significant cost impacts that, at this stage, would require scheme-specific estimates.*

Hunter Water supports IPART's adaptive approach of reconsidering the materiality of facilitation costs in future wholesale price reviews. Better information on possible cost impacts should become available as the number of recycled water schemes increases and the operational effect of these schemes, for all parties, becomes better known. The additional information would assist a scheme-specific determination reflect the prudent and efficient net facilitation costs in wholesale prices and may enable facilitation costs to be incorporated into system wide prices.

The Oakley Greenwood report provides useful foundational material on the cost impacts of recycled water schemes for upstream and downstream services, however Hunter Water does not agree with all the underlying assumptions and analysis. Hunter Water would welcome the opportunity to discuss the report with IPART prior to it being used in other contexts. The following are some examples of detailed issues requiring further investigation:

- The report is based on the assumption that the upstream potable water and downstream wastewater flow are reduced by the quantity of recycled water produced. This assumption will

² The billing process difficulties associated with bypass situations are described in Hunter Water, 2016, page 12.

³ IPART, 2017 (SDR), page 84.

⁴ Ibid.

⁵ Oakley Greenwood, 2017, as summarised in IPART, 2017 (SDR), page 87.

be valid in situations where all of the recycled water produced is used, however there are several examples of WIC licensed schemes where there is (or is expected to be) an excess.⁶

- Oakley Greenwood assumes that Hunter Water's long run marginal cost is zero. This disregards the context provided by Hunter Water in its last retail price review.⁷
- The bulk water supply and water treatment plant cost estimates should be compared with the public water utility's short run marginal cost estimates (contained in each retail price submission). These may vary on a geographic basis (e.g. depending on whether the catchments are open/closed, or surface water or groundwater source).
- It is not clear whether the consultants have considered the impact a new recycled water plant may have on reliable peak potable water capacity at a water treatment plant and in the water supply system.
- The report considers the differences in wastewater network operational costs in situations where the public water utility has a gravity sewerage system but does not appear to consider pressure sewerage systems.
- The assumptions underpinning the water treatment plant operational cost impacts have not been provided and therefore the calculation cannot be checked.

The Oakley Greenwood report will provide a useful source of information for IPART's 2017-18 review of recycled water pricing. During the 2006 recycled water pricing review, IPART sought to:

*... develop approaches to charging for recycled water services that are not only applicable to the existing industry structure, but can also be applied to a market in which private sector participants are playing a greater role.*⁸

Any investment that Hunter Water makes in a recycling scheme must pay for itself from the sale of recycled water. IPART's recycled water scheme pricing guidelines do not allow Hunter Water to use regulated retail revenues from wastewater or water customers to underwrite the costs of such schemes. IPART's 2017-18 review of recycled water pricing will provide a timely opportunity to revisit IPART's 2006 guidelines, including the assessment of deferral benefits or other wider system savings accruing to indirect beneficiaries (beyond recycled water customers). This work is directly relevant to the calculation of net facilitation costs where private utilities invest in the sector.

⁶ Examples are provided in Hunter Water, 2016, pages 11 and 13.

⁷ The 2014 Lower Hunter Water Plan focussed on drought, therefore Hunter Water does not have any formal suite of demand management and supply increment measures on which to recalculate the LRM. For further detail see Hunter Water, 2015, page 73.

⁸ IPART, 2006, page 4.

3 REASONABLY EFFICIENT COMPETITOR COSTS

IPART has considered a number of competing objectives in the design and implementation of wholesale prices. This is a first of its kind review of wholesale pricing in the Australian water sector, and much original work has gone into establishing the structure of wholesale prices and the calculation of those prices. IPART has made a judgement call that there is a case for public water utilities to underwrite private entry to a market where competition is in its infancy.

IPART's reasonably efficient approach predicates support for a larger minus margin for wholesale customers under the retail-minus methodology:⁹

Using the reasonably efficient competitor cost approach assists entry to allow wholesale customers to reach a competitive scale. This approach sacrifices some immediate productive efficiency for longer term dynamic efficiency gains from enhanced competition.

Hunter Water continues to support an avoidable costs approach¹⁰ over the reasonably efficient competitor cost approach. IPART does acknowledge the risks of inefficiency associated with increasing the minus component above the actual costs of the public water utility. By definition, this approach will result in under-recovery of the costs of all water and wastewater services provided to private water utilities. The level of under-recovery will be determined by how many private water utilities establish in the Lower Hunter after 1 July 2017 (and are therefore subject to the new pricing framework) and the scale of each scheme.

Hunter Water supports IPART's stated intent to transition to an 'as efficient' approach in the future. Hunter Water intends to focus its efforts at the next wholesale price review on substantiating the case for moving to a retail-minus approach that reflects the actual costs of the public water utility.

3.1 Quantum of retail-minus

Hunter Water's response to the draft report questioned how a retail-minus methodology that only excludes operating and renewal costs for reticulation assets and retail costs could result in a substantial revenue reduction for the public water utility. IPART's calculation of the minus components using consultant's estimates of new entrant costs have increased in the supplementary report, and quite substantially in the case of retailing costs.

Table 3.1 shows indicative revenues for Hunter Water for the on-selling of a water service in each of the three worked examples presented by IPART.¹¹ IPART's stakeholder analysis focussed on wholesale customer bills rather than the wholesale provider's revenues. Hunter Water's estimates provide a realistic indication of the size of the minus component from the perspective of a public water utility and its customers (who may ultimately bear the cost).

Applying IPART's minus allowances for both greenfield schemes results in around a 35 per cent discount from the sum of regulated customer end-use charges. Consumption levels assumed by IPART are 220 kL per annum for a free-standing residential property, 160kL per annum for a multi-premise residential property and 220kL per annum for non-residential properties.¹² Hunter Water notes that these consumption levels are in line with IPART's 2016 determination of Sydney Water's retail prices.

IPART's 2016 determination of Hunter Water's prices assumed 185 kL per annum for a typical household, 150kL per annum for a typical apartment and upwards of 185 kL per annum for non-residential properties. IPART's 2015 household survey found average household water use in the

⁹ IPART, 2017, page 54

¹⁰ An avoidable cost approach would include costs that Hunter Water would avoid over the long term as a result of the activities of a wholesale supplier.

¹¹ IPART, 2017, page 67

¹² IPART, 2017, page 150

Hunter was around 170 kL per annum.¹³ Updating the assumptions in IPART's calculations for Hunter Water consumption levels increases the minus allowances for both greenfield schemes to 40 per cent.

Hunter Water has calculated a third scenario that reduces the volume of drinking water sold in each of three worked examples assuming that a recycled water scheme would replace 40 per cent of residential drinking water use.¹⁴ Hunter Water estimates that IPART's minus allowances would result in around 58 per cent reduction in Hunter Water's revenues in the greenfield examples.

Table 3.1 On-selling water services, Hunter Water indicative revenue over 2017-18 to 2019-20 (\$'000s, \$2017-18)

	Inner city high density	Small greenfield low density	Large greenfield low density
Expected revenue from end users	\$2,488	\$3,061	\$15,498
IPART's system-wide wholesale prices	\$1,741 ¹	\$1,973	\$10,054
Minus allowance as a % of revenue from end users	30%	36%	35%
Minus allowance as a % of revenue from end users – average consumption updated for the Hunter	32%	40%	39%
Minus allowance as a % of revenue from end users (consumption updated for the Hunter and including 40% recycled water use)	47%	59%	58%

Source: IPART, 2017, Tables 6.4, 6.5 and 6.6. Hunter Water analysis.

¹ Figure from Table 6.4 adjusted to reflect the expected revenue from end users (\$2,488) less the margin under IPART's draft decision (\$747).

3.2 Reasonably efficient competitor cost estimates

IPART's 2016 retail price determination for Hunter Water sought to set prices based on efficient costs of a best performing or frontier water utility. As the wholesale price determination is based on the costs of a reasonably efficient competitor, cost estimates included in the retail-minus are not comparable to that of Hunter Water. This is particularly the case for retail costs where Oakley Greenwood has estimated substantially lower economies of scale for new entrants.¹⁵

The key point to note about the Oakley Greenwood report is that it is a consultant's best estimate of the costs a new entrant would incur in providing services. It is not linked to the known costs of an actual new private water utility in New South Wales, but a hypothetical new entrant in a market with few players. Oakley Greenwood's report does a good job of finding published data and applying various simplifying assumptions and best estimates. Nonetheless, the process lacks the rigour and auditability of reviewing actual costs of a real life participant in the water sector.

Hunter Water provides the following observations on cost estimates used to calculate the minus component where the consultant assumes a different process or practice from that adopted by Hunter Water or typical industry practice. There is a case to reduce the 'retail' costs included in the minus component.

¹³ IPART, 2016 (c), page 3.

¹⁴ The 40 per cent reduction is based on an analysis of typical residential consumption by end-use and permissible end-uses of recycled water. It has been confirmed by monitoring at sites with dual reticulation (Gillieston Heights and Chisholm).

¹⁵ Oakley Greenwood, 2017, page 47.

3.2.1 Retail - meter supply and installation

Oakley Greenwood's cost estimates for meter supply and installation include installation of pipework and connection by a plumber of \$250 per job.¹⁶ The installation of pipework does not form part of Hunter Water's responsibilities in the meter supply and installation process as Hunter Water is only responsible for connecting the meter. The process is as follows:

- Hunter Water pre-lays a water service underground upon installation of network assets (service connection point);
- The property owner (usually a developer) pays the costs for a private plumber to attend the site, excavate the pre-laid service, install the stand-up inlet pipe and make the work compliant for a meter to be installed (Oakley Greenwood includes these costs in its estimate of installation costs).
- Hunter Water installs a meter, which usually takes around fifteen minutes for a standard job.

3.2.2 Retail - non-telemetry meters

Hunter Water's current practice is not to use any telemetry meters in its network, apart from a few large industrial customers. The use of a telemetry meter to service a single dwelling residential property in a greenfield development area is not common practice among Australian Water utilities. Least lifecycle cost comparisons between telemetry and non-telemetry meters, and relative ease to access these meters, has not proven a business case to extend the use of telemetry meters to these type of properties.

3.2.3 Reticulation – life cycle operating costs

IPART's supplementary report adopts revised life cycle operating costs associated with local reticulation assets, as calculated by Oakley Greenwood. These costs increase over the life of the asset to recognise that, as an asset ages, it generally becomes more expensive to maintain. Hunter Water welcomes the revised costs associated with local reticulation assets based on a phasing of these operating costs over the life of the assets, rather than a constant average as adopted in the draft report. This approach better matches actual maintenance expenditure with the age of assets in service.

3.2.4 Reticulation – lead-in mains

Oakley Greenwood's network configuration for greenfield projects includes DN450 and DN250 lead-in mains to the new development site. Hunter Water's response to the draft report questioned the inclusion of these in the retail-minus margin.¹⁷ Hunter Water notes from the supplementary report that these lead-in mains were provided for context in the configuration however were not used in the building block calculation and as such are not included in the retail-minus margin.

¹⁶ Oakley Greenwood, 2017, page 27.

¹⁷ Hunter Water, 2016

4 IMPLEMENTING WHOLESALE PRICES

Hunter Water supports IPART's draft decisions relating to the regulatory framework for the setting of wholesale prices. This inaugural review of wholesale prices has raised a number of complex issues around the process of setting wholesale prices for private utility schemes with different characteristics across two public utility areas. IPART has set up a robust and workable approach for the future by determining average system-wide wholesale prices for all new private utility schemes – at least as the starting point. IPART's approach also provides the flexibility to deal with private schemes with unique features and cost impacts where it may be worthwhile setting scheme-specific wholesale prices.

Hunter Water agrees with IPART's draft decision to set a fixed four-year determination of system-wide wholesale prices for water and wastewater services. This approach offers price certainty for wholesale customers beyond the short term and provides time for the market to develop and mature prior to the next wholesale price review.

IPART should have access to more reliable industry cost data from both public and private water utilities at the start of the next wholesale price determination. A four-year determination should also allow time for IPART to assess the efficiency of new entrants and consider a shift to 'as efficient' cost standard for retail-minus prices. The upcoming IPART review of recycled water pricing, and the possible introduction of component pricing for public water utilities, will also have consequences for the next review in terms of calculating facilitation costs and data availability more broadly.

Hunter Water agrees with IPART's draft decision to review and determine scheme-specific prices for wholesale water and/or wastewater service where the circumstances justify the additional time and effort. IPART's supplementary report states that the onus should be on the party requesting the review to demonstrate that they have sought to negotiate and reach agreement with the other party, and that there is a sound reason for the review.

Hunter Water notes that the current review of wholesale prices has taken much time and effort by Hunter Water management and employees to participate in the multiple steps of the price review process and prepare and review cost data. Hunter Water accepts that this was generally a worthwhile use of resources as IPART has established a robust first determination. Nonetheless, the emergence of private water utilities seeking a bundled service from public water utilities has added substantial administration costs in many ways. These costs are ultimately borne by either the shareholder or customers.

IPART's supplementary report sets out that the wholesale service provider would prepare the initial wholesale pricing proposal after IPART has agreed to a scheme-specific review. The wholesale service provider would develop a set of proposed prices, and the rationale and assumptions used to derive those prices. Hunter Water accepts that public water utilities have a role in collecting and publishing information on any likely deferral benefits or cost savings upstream or downstream from a private utility scheme. Hunter Water's experience with recycled water schemes suggests that the task of calculating deferral benefit or other cost savings associated with a particular investment is not straightforward or without administrative burden.

5 REFERENCES

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APPENDIX A: HUNTER WATER COMMENTS ON DRAFT DETERMINATION

Clause	Clause detail	Issue
Schedule 1: On-Selling Water Services		
2	Maximum prices for On-selling Water Services	<p>R is the Retail Component for that On-Selling <u>Water</u> Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period</p> <p>Schedule 1 and 3 cross-reference the retail price determination. Clause 5 of schedule 1 of the retail price determination uses R in a different context (service charges for the common meter in a multi premise), which may be confusing.</p> <p>R is also used in Schedule 2, clause 2 but for on-selling sewerage services</p> <p>Consider using a different label (possibly RW for on-selling water services and RS for on-selling sewerage services).</p>
3 (3.1 & 3.2)	Maximum prices for On-selling Water Services – Retail Component	<p>$R = \Sigma WUC + \Sigma WSC$</p> <p>Where: ... ΣWUC is the sum of the Water Usage Charges, determined in accordance with clause 3.2, for the Downstream Properties</p> <p>IPART's formulation results in Hunter Water paying for any leakage in the Wholesale Customer's area of operations – that is between the wholesale connection point (wholesale customer meter) and the downstream property (end-use customer meter).</p> <p>Usage charges for wholesale water services could be determined either based on end-use customer water meters or the wholesale customer's meter(s) at the boundary of the development.</p> <p>Usage charges based on the end-use customer meter would remove an incentive for the WIC utility to maintain an economic level of leakage within its water supply system and implicitly involve a cross-subsidy from the public water utility's retail customers. It would penalise the public water utility by making it report leakage from a jurisdiction where it has no authority to undertake leakage management activities. In the short term, leakage from young assets is expected to be minimal and therefore it may be appropriate to adopt a simplified approach, revisiting materiality at a later review.</p> <p>Potable top-up of a WIC utility's recycled water scheme can be accommodated with either approach however it would be more simply addressed at the wholesale customer meter.</p> <p>Public water utilities may have visibility of usage at the wholesale meter but not at end user meters.</p>
Schedule 2: On-Selling Sewerage Services		
2	Maximum prices for On-selling Water Services	<p>R is the Retail Component for that On-Selling <u>Sewerage</u> Service supplied to that Wholesale</p> <p>See comment for Schedule 1, clause 2 above.</p>

Clause	Clause detail	Issue
	Customer at that Wholesale Connection Point in that Period	
Schedule 3: Drinking Water Top-Up Services		
2(a)	Maximum prices for Drinking Water Top-Up Services	<p>[Note: Under the Current Retail Determination, the maximum price for supplying Filtered Water to a Metered Non Residential Property (including both water usage charges and water service charges) is set under clauses 5 and 6 of schedule 1.]</p> <p>It appears the note to 2(a) should also apply to 2(b)</p> <p>The note reference to HWC retail price determination schedule 1, clauses 5 and 6 looks like IPART is treating the situation like a master meter and sub-meter arrangement. i.e. the Wholesale Connection Point Meter is the Master and the Recycled Water System (RWP) meter is the sub. Hunter Water had anticipated that it was to be treated under retail determination schedule 1, clause 4 (individually metered non-res) and clause 6 (water usage charge).</p> <p>IPART’s current framing treats the recycled water plant in the same was a multi-premise. It would be simpler to treat it as an individually metered stand-alone non-residential.</p>
2(a)(2), 2(a)(3)	Maximum prices for Drinking Water Top-Up Services	<p>(2) that Wholesale Connection Point were taken to be <u>a</u> Metered Non Residential Property; and (3) the Drinking Water Top-Up Meter for the relevant Recycled Water System were taken to be <u>the</u> Meter for that Metered Non Residential Property.</p> <p>Is the use of “a” and “the” intended to confer a different meaning to Metered Non Residential Property? i.e. is “<u>a Metered Non Residential Property</u>” in 2(a)(2) intended to be interpreted differently to “<u>the Meter for that Metered Non Residential Property</u>” in 2(a)(3)?</p>
Schedule 4 Recycled Water Plant Waste Disposal Services		
N/A		The situation described in this schedule does not involve provision of wholesale services therefore the whole schedule is redundant – the retail price determination applies. However, Hunter Water has no objection to IPART including this schedule as a means of clarifying the situation.
Schedule 5 Definitions and interpretation		
1.1	Defined terms	<p>Drinking Water Top-Up Service means a Monopoly Service that is:</p> <p>(a) a water supply service; and</p> <p>(b) supplied by Hunter Water to a Wholesale Customer; and</p> <p>(c) supplied to a Recycled Water System; and</p> <p>(d) used by that Retail Supplier to supply a Recycled Water service to Retail Customers; and</p> <p>The determination does not mention a Network Operator. The drinking water is supplied to a Network Operator for a Recycled Water System. The Retail Supplier generally cannot supply the Recycled Water service without a licensed Network Operator.</p>
1.2	Meaning of On-Supplier	<p>(a) Subject to paragraph (b), On-Supplier means a person who supplies a water supply service,</p> <p>1.2(c) appears to duplicate 1.2(a) but without the “subject to 1.2(b)”.</p>

Clause	Clause detail	Issue
	<p>sewerage service or trade waste service to:</p> <p>(1) a Retail Supplier; or</p> <p>(2) any other person who supplies any of those services as part of a supply chain to a Retail Supplier.</p> <p>(b) A person is an On-Supplier only if they supply the relevant service:</p> <p>(1) in the case of a water supply service, sewerage service or trade waste service, through a connection to Hunter Water's Water Infrastructure or Sewerage Infrastructure (as the case may be); and/or</p> <p>(2) in the case of a sewerage or trade waste service, under a contract with Hunter Water for the disposal of waste.</p> <p>(c) An On-Supplier is an On-Supplier for a Retail Supplier, if that On-Supplier supplies a water supply service, sewerage service or trade waste service:</p> <p>(1) to that Retail Supplier; or</p> <p>(2) to any other person who supplies any of those services as part of a supply chain to that Retail Supplier.</p>	<p>It is unclear why 1.2(c) is included in the definition.</p> <p>The repeated use of the term "<i>On-Supplier</i>" makes it difficult to interpret this definition.</p>