

**IPART'S REVIEW  
OF  
THE  
SYDNEY WATER  
OPERATING LICENCE**



**SUBMISSION TO ISSUES PAPER  
AUGUST 2018**



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## EXECUTIVE SUMMARY

The Independent Pricing and Regulatory Tribunal (IPART) administers operating licences for three public water utilities (Sydney Water, Hunter Water and WaterNSW) under their enabling Acts and alternative (private) water utilities in NSW under the *Water Industry Competition Act, 2006 NSW* (WIC Act licensees). IPART is conducting an end of term review of the Sydney Water operating licence and has invited submissions on its Issues Paper.

IPART has a stated aim of introducing greater consistency in the licensing approach adopted between the major public water utilities. Given that the required content of Hunter Water's and Sydney Water licences are similar (as specified in the *Hunter Water Act 1991* and *Sydney Water Act 1994*), but the reviews are currently offset, the outcomes of each utility's licence review feeds into the other utility's licence.

In this submission, we provide Hunter Water's positions on each of the 35 questions contained in IPART's issues paper. In the majority of cases we support IPART's approach and preliminary view. The three most material areas of reform being considered as part of this review are:

- Providing services to WIC Act licensees (IPART's questions 10, 11 and 12),
- System performance standards (IPART's questions 18 and 19), and
- The role and composition of the Customer Council (IPART's questions 28, 29 and 30).

Our 2017-2022 Operating Licence included an obligation to provide services to WIC Act licensees. We have not had any requests to provide wholesale services since the licence came into effect.

Now that wholesale pricing matters have been addressed by IPART, Hunter Water is not aware of any residual concerns by WIC Act licensees related to negotiation of utility services agreements, the ongoing management of wholesale customer accounts or the management of operational issues associated with wholesale customers. We therefore do not consider there to be a need to specify minimum service standards and customer protection measures. However, we would be interested in the views of WIC Act licensees or potential WIC Act licensees.

We agree with IPART's principles, that system performance standards should be set with reference to customer preferences and promote socially efficient outcomes such that the benefits customers receive from the level of service outweigh the cost of its provision.<sup>1</sup> We note that endeavours to achieve socially optimal outcomes need to be tempered with equity considerations, to guard against disproportionate impacts on a small numbers of customers and to take into account the nature of the services being provided, the nature of service failures and their impacts on customers in practice. We support Sydney Water's proposed changes in measuring system performance standards, such as moving towards a rolling average to smooth the effects of external influences on performance that are beyond the utility's control (e.g. weather). We consider that a move towards fully optimised system performance standards, applying a similar approach to that used for electricity transmission networks, should be further explored with key stakeholders - between licence reviews - prior to adoption.

Our Community and Customer Advisory Group (our equivalent of Sydney Water's Customer Council), has been working with us to collaboratively explore the potential to improve its effectiveness and representativeness of the broader customer base. The changes we are currently rolling out include a role for the CCAG in providing input to our broader engagement activities across Hunter Water. We request further details from IPART on its preliminary view that the composition of the Customer Council/CCAG should include customer engagement experts. We support IPART's preliminary view that the Customer Council/CCAG licence clauses should be outcomes-based, in a similar manner to the rest of the licence.

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<sup>1</sup> IPART, 2018, p. 60.



## 1 INTRODUCTION

Hunter Water welcomes the opportunity to respond to the Independent Pricing and Regulatory Tribunal's (IPART's) *Issues Paper Review of the Sydney Water Corporation Operating Licence*.

IPART administers operating licences for three public water utilities (Sydney Water, Hunter Water and WaterNSW) and alternative water utilities in NSW under the *Water Industry Competition Act, 2006 NSW* (WIC Act licensees).

Hunter Water's operating licence was reviewed in 2016, which culminated in a new licence effective 1 July 2017 to June 2022. Historically, end of term reviews of the licences of major public water utilities have been staggered. For example, Hunter Water's last licence terms have been 2007-2012 and 2012-2017, compared with Sydney Water's licence terms of 2010-2015 and 2015-2020. The WaterNSW operating licence term has become aligned with Hunter Water's following the merger of two organisations, the former Sydney Catchment Authority and State Water Corporation.

The framework for regulating the NSW water utilities has undergone significant change over its various iterations and IPART has a stated aim of introducing greater consistency in the licensing approach adopted between the major public water utilities.<sup>2</sup> Therefore, whilst we are not directly affected by amendments to Sydney Water's existing licence in the short term we are to provide pragmatic feedback gained through one year of experience in implementing new licence requirements. We also consider ourselves well positioned to offer insights on the issues raised by IPART from an operational water industry perspective.

Hunter Water's positions on each of the 35 questions contained in IPART's issues paper are listed in the following section.

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<sup>2</sup> IPART, 2016.



## 2 HUNTER WATER RESPONSE TO IPART'S QUESTIONS

### LICENCE REVIEW FRAMEWORK

#### 1. What are your views on whether we have applied the Best Practice Licensing Framework appropriately for this review?

The Best Practice Licensing Framework<sup>3</sup> is a robust approach to reviewing a water utility licence. We have some concerns about the manner in which Stage 4 of the framework has been applied during previous reviews. Framework Stage 4 involves developing options, conducting a cost-benefit analysis and selecting the best response. We strongly support using the discipline of cost-benefit analysis to aid decision-making however we suggest that efficiencies could be gained by considering the materiality of costs and benefits prior to monetisation. Our other concern relates to the identification of the 'best option'. In some circumstances, one option may be 'best' in the short term to allow time to develop an option that is 'best' in the longer term. We expand on this issue in our comments on IPART's preliminary approach to setting system performance standards (see response to question 19).

#### 2. Do you have any suggestions for how we can improve our effectiveness and efficiency in administering the licence?

We support IPART's approach to administering our operating licence but consider Sydney Water and its stakeholders better placed to comment on any issues specific to their region. We applaud IPART's endeavours to maintain a contemporary, consistent and streamlined approach to licensing and compliance activities, as evidenced through recent reviews of its Compliance and Enforcement Policy (December 2017), Water Utility Performance Indicators (June 2018) and Audit Guideline – Public Water Utilities (June 2018).

### LICENCE STRUCTURE

#### 3. Do you agree with our proposed amended licence structure?

IPART's preliminary view is to change the structure of the amended licence so it better aligns with Sydney Water's operational activities. The proposed structure is consistent with Hunter Water's 2017-2022 Operating Licence, which represented an amendment at the time. From our perspective there has been no material effect on the efficiency and effectiveness of compliance and compliance monitoring so far. We have not received any feedback from stakeholders in relation to ease of understanding of the licence.

We support IPART's proposed structure, for consistency and ease of reference for stakeholders with an active interest in water utilities in both jurisdictions (e.g. WIC Act licensees, customer advocacy groups).

### LICENCE CONTEXT AND AUTHORISATION

#### 4. Do you agree with our preliminary view to modify the existing licence objective to also reflect the intended outcomes of the licence? Do you support our proposed objective?

IPART's preliminary view is to modify the licence objective to be outcomes-focussed:<sup>4</sup>

*The objective of the licence is to authorise and require Sydney Water, within its area of operations, to supply water, provide sewerage services and stormwater drainage systems, and dispose of waste water, and to set efficient and effective terms and conditions, including quality and performance standards, balancing the requirements to protect public health, provide services to customers and meet the needs of the community as a whole.*

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<sup>3</sup> IPARAT, 2013.

<sup>4</sup> IPART, 2018, p. 28.



The objective in our licence is:<sup>5</sup>

*This Licence aims to:*

- *provide transparent and auditable terms and conditions for Hunter Water to lawfully undertake its activities at industry good-practice;*
- *recognise the interests of stakeholders within its Area of Operations; and*
- *impose the minimum regulatory burden on Hunter Water by avoiding duplication or conflict with other regulatory instruments.*

We note that both the objective in Sydney Water's existing licence and IPART's proposed amended objective are more oriented towards the outcomes of the licence whereas the objective in our licence is oriented towards the outcomes of the licence review.

At this stage we do not have a firm view on the objective to be included Sydney Water's licence. We are interested in stakeholder feedback on this issue.

**5. Do you agree with our preliminary view that the substance of, and intention behind, the licence authorisation clauses are sound? Do you agree that the existing drafting should make clearer that Sydney Water is authorised, but not required, to construct stormwater drainage systems?**

IPART notes that the licence needs to authorise Sydney Water to carry out certain functions, in accordance with legislative requirements. The Sydney Water Act 1994, s 5(2) and 12(1) requirements are consistent with those contained in the Hunter Water Act 1991, s 4A(2) and s12(1). We agree with IPART's preliminary view that the licence authorisation clauses are sound.

We agree with Sydney Water's view that the delivery of services consistent with integrated water cycled management (IWCM or IWM) is already enabled by the existing clauses.<sup>6</sup>

From 1 July 2017 our licence included stormwater authorisation clauses that clearly differentiate between the 'required' and 'permitted' functions of Hunter Water in relation to stormwater drainage systems. In our experience, the clauses are clear and easily understood by internal and external stakeholders.

**6. Do you agree with our preliminary view to update the local government areas included in the area of operations and add a map to the licence?**

We support updating the list of local government areas included within Sydney Water's area of operations. We consider that Sydney Water is best placed to provide appropriate wording for instances where its [provides services to only part of a local government area.

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<sup>5</sup> Hunter Water 2017-2022 Operating Licence, clause 1.1.1.

<sup>6</sup> Sydney Water, 2018, p. 14 and 27.



**7. Do you agree with our preliminary view for a 5-year licence term? Do you have any views regarding the sequencing of licence and price review cycles?**

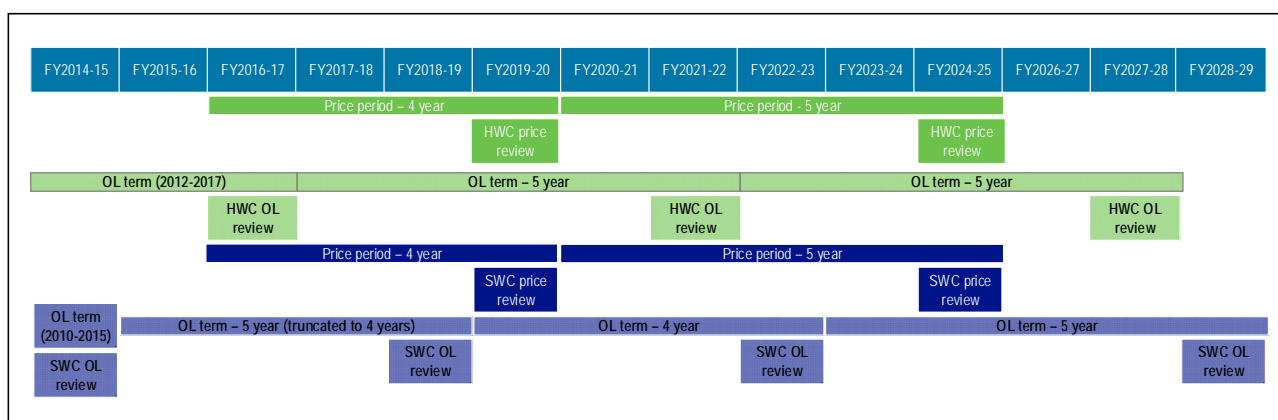
We support IPART’s preliminary view, which is to set the licence term at the maximum possible under legislation, and its consideration of improving the sequencing of licensing and pricing reviews.

In principle, IPART should allow Hunter Water to recover compliance and administrative costs incurred in fulfilling its operating licence requirements. This would be best accommodated if the operating licence review occurred prior to the price review.

In our submission to the end of term review of our licence, we said that we could see advantages in an operating licence review commencing two years prior to a price review.<sup>7</sup> Knowledge of new or amended licence obligations one year prior to the lodgement date for a price submission would enable any change in system performance standards or compliance costs to be incorporated into expenditure proposals.

We note that Sydney Water is seeking a four-year licence from 2019-2023 and a five year price path for 2020-2025, with the operating licence reverting to its maximum five-year term from 2023.<sup>8</sup>

We have previously expressed our preference for our price reviews to be undertaken concurrently with Sydney Water.<sup>9</sup> We have also considered how to maintain the sequencing of licensing and pricing reviews over time, given that price period have been set at 4 years in recent times. We are favouring a five year periods for both pricing and licensing, and we will provide details of our proposal as part of our price submission in June 2019. The effect of our preliminary position is shown diagrammatically below. We are keen to explore, with IPART and Sydney Water, opportunities to bring both our pricing and licensing reviews into ongoing alignment.



**8. Do you agree with our preliminary view to specify IPART as the person to undertake the end of term licence review?**

As IPART has the function of making recommendations to the Minister about licence amendment,<sup>10</sup> it makes sense that IPART be specified as the person to undertake the end of term licence review.

<sup>7</sup> Hunter Water, 2016

<sup>8</sup> Sydney Water, 2018, p 14 and 15.

<sup>9</sup> Hunter Water, 2015, p. 4.

<sup>10</sup> Sydney Water Act 1994, s28(1)(a) and Hunter Water Act 1991, s18A(1)(a).





9. **Do you agree with our preliminary view to retain the existing licence clause that clarifies that the licence does not prohibit any other person from providing services in Sydney Water’s area of operations (the non-exclusive licence clause), and also retain the existing licence clause that require Sydney Water to make a copy of its licence available to any person free of charge (the availability of licence clause)?**

The *Water Industry Competition Act 2006 NSW* and *Water Industry Competition (General) Regulation 2008 NSW* has enabled a number of private entities to obtain licences to own, operate and maintain water and wastewater infrastructure. Retaining the existing clause that states that the licence is non-exclusive makes it clear that competition in the NSW urban water sector is supported and encouraged. We therefore support retention of the existing clause.

We support the objective of providing transparency through the availability of licence clause. However, we note that the same outcome is already achieved through water utility customer service business practices and via the *Government Information (Public Access) Act 2009 NSW* (GIPA). We therefore suggest IPART consider whether there is an ongoing need for intervention.

## **ON SERVICES TO WIC ACT LICENSEES**

10. **Should Sydney Water be obliged to provide water and sewerage services to WIC Act licensees? What would be the long-term benefits to end-use customers?**

Hunter Water’s 2017-2022 Operating Licence includes an obligation to provide services on request to any WIC utility in our area of operation where the WIC utility is connected or a where a connection is available to the water supply system or the sewerage system. The licence obligation allows Hunter Water to impose lawful conditions relating to the safe, reliable and financially viable supply when making services available to properties and WIC utilities.

We have not had any requests to provide wholesale services since the licence came into effect.

11. **What are your views on imposing licence obligations on Sydney Water to service WIC Act licensees or potential competitors, such as specifying minimum service standards, prescribing a negotiation process with or without a dispute resolution process, and requiring Sydney Water to disclose certain information? What are the long-term benefits to end-use customers?**

Hunter Water has negotiated two utility services agreements to supply WIC utilities in the Lower Hunter – Cooranbong Water and Huntlee Water. Hunter Water considers that it followed established processes for new development and negotiated in good faith during when preparing each utility services agreement. In the case of Cooranbong Water, Hunter Water negotiated and agreed an ‘off-peak’ water supply agreement that allowed Cooranbong Water to reduce the scale of the infrastructure necessary to connect to Hunter Water’s water supply system. Hunter Water is not currently negotiating any other utility services agreement, and has not received any recent enquiries for the supply of wholesale services from any prospective wholesale customers.

Hunter Water applies the same process steps for all applications for a new connection, whether a WIC utility or any other new development.

**Step 1:** Apply for a Section 50 certificate.<sup>11</sup> The developer or WIC utility (the applicant) applies to Hunter Water to determine the requirements for the provision of water and sewer to a development in our areas of operations.

**Step 2:** Hunter Water investigates the impact of the proposed development on existing water and sewer systems, and determines whether works need to be built to provide connection to water and sewer mains.

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<sup>11</sup> *Hunter Water Act 1991*, s 50.



Step 3: Hunter Water sends a 'notice of requirements' letter within 60 days, as required by the *Hunter Water Act*. The notice letter for a new development may include the design and construction of water and sewer infrastructure specified in the notice necessary to serve the development. Depending on the size and extent of the development, this may include a requirement to prepare a water and/or sewer strategy. The developer or WIC utility may be required to engage an accredited design consultant and accredited construction contractor. The applicant may be required to prepare a Review of Environmental Factors to assess the likely impacts of an activity on the environment.

Step 4: Issue section 50 certificate once the applicant has met all of our requirements.

Step 5: The applicant arranges connection to the water and/or sewer systems and pays water and/or sewer connection charges (if applicable).

In summary, for any major new development, Hunter Water will identify a point of connection in our water and sewerage system where sufficient capacity exists to service the new development. This is generally the point at which Hunter Water can meet minimum requirements for water flow, pressure, continuity and availability.

The developer or WIC utility may be required to prepare a servicing strategy that details the configuration of necessary infrastructure, seeking to do so in the most efficient manner. The obligation resides with the developer or WIC utility to design, construct and deliver the infrastructure to that point of connection.

When negotiating utility services agreements, Hunter Water has started with a template agreement and made modifications as necessary to suit the specific circumstances of each contract. The utility services agreements are substantially different from the standard form customer contract set out in the operating licence. The utility services agreements include tailored contract clauses covering, amongst other matters:

- the supply of services,
- charges and billing,
- suspension, disconnection and termination,
- maintenance, emergencies and incidents,
- property access,
- indemnities and liabilities,
- insurances,
- provision of forecasts,
- work, health and safety obligations,
- confidentiality, and
- last resort and WIC Act licence provisions

Hunter Water appoints an account manager for all WIC utilities and major non-residential customers. That account manager attends to customer enquiries, customer billing and is a first point of contact for any operational issues. In a practical sense, Hunter Water does not distinguish between wholesale customers and large retail customers; both are treated with the same importance.



- 12. What are your views on the four options presented in the Issues Paper to include a new obligation on Sydney Water to provide services to WIC Act licensees and the evaluation criteria to assess these options? Do you have any inputs relevant to our evaluation of options for licence obligations?**

Hunter Water is not aware of any problem with the negotiation of utility services agreements, the ongoing management of wholesale customer accounts or the management of operational issues associated with wholesale customers. Hunter Water notes that IPART's determination of wholesale prices for the supply of wholesale services addresses the pricing issues that were a point of contention when agreements were negotiated in 2014 and 2015.

Like Sydney Water, we would be interested in the views of WIC utilities or potential WIC utilities around any problems or perceived problems with Hunter Water's application processes or ongoing customer service. If there is evidence of a problem or potential concerns, we would be in a better position to provide constructive input on the design and drafting of new obligations to service WIC utilities.

- 13. Do you agree with our preliminary view to maintain the existing pricing obligation?**

We agree that the obligation is clear and aligned with the *Sydney Water Act 1994* and *IPART Act 1992*.

## **WATER CONSERVATION**

- 14. Do you agree with our preliminary view to maintain the requirements to implement and report on water conservation program consistent with its economic level of water conservation in accordance with the ELWC method, but to remove fixed targets for water usage and water leakage (which were phased out in the existing licence term) and remove the obligation for Sydney Water to notify and obtain IPART's approval of any proposed significant change to the ELWC method?**

**Should the licence contain any additional obligations relating to water conservation activities?**

We agree with IPART's preliminary view and Sydney Water's submission to IPART's issues paper, that the licence be amended to reflect completion of the transition from fixed water conservation targets to an Economic Level of Water Conservation (ELWC) methodology that requires the water utility to determine its most economically efficient mix of water conservation and provides operational flexibility to adapt water conservation activities to changes in circumstances.

In our view, IPART's preliminary position of removing the requirement to obtain IPART's approval of any proposed significant change to the ELWC method would be an improvement. It would be administratively more efficient and it would enable Sydney Water to implement any refinements to the methodology more quickly, for the benefit of its customers.

## **SUPPLY SERVICES AND PERFORMANCE MEASURES**

- 15. Do you agree with our preliminary views to:**

- **maintain the existing obligations for drinking water quality but remove duplication in the obligations?**
- **move the requirements in Appendix F (Health and aesthetic water characteristics and raw water operational characteristic) from the existing Reporting Manual to a reporting schedule under the Drinking Water Quality Management System required by the licence?**

We support retaining a management system approach aligned to the Australian Drinking Water Guidelines (ADWG) and to the satisfaction of NSW Health.

Hunter Water's Reporting Manual does not include details of water characteristics equivalent to Appendix B in Sydney Water's Reporting Manual (July 2018 version). The water characteristics included in various reports is detailed within Hunter Water's Drinking Water Quality Management System.



**16. Do you agree with our preliminary view to maintain the existing obligations for recycled water quality but remove duplication in the obligations?**

We support retaining a management system approach aligned to the Australian Guidelines for Water Recycling (AGWR) and to the satisfaction of NSW Health. We also support Sydney Water's request for additional flexibility by amending the definition of AGWR to explicitly include other phases of the guidelines, and to allow alternate water recycling guidelines to be able to be specified by NSW Health.<sup>12</sup> We consider this to be appropriate forward-planning and provision for invocation of operator of last resort provisions for WIC licensed schemes.

**17. Given that the Fluoridation of Public Water Supplies Act 1957 and the Fluoridation of Public Water Supplies Regulation 2017 requires Sydney Water to fluoridate drinking water, what are your views on maintaining or removing fluoridation obligations in the licence?**

We consider this to be a matter for Sydney Water and NSW Health. We note that we are subject to the same legislation as Sydney Water and we do not have a water fluoridation obligation in our operating licence.

**18. Do the existing System Performance Standards measure the most appropriate and relevant service outcomes? Are they specified in the best way to provide cost-effective service outcomes?**

We agree with IPART's view, that that system performance standards should be set with reference to customer preferences. During the last review of Hunter Water's operating licence, IPART noted:<sup>13</sup>

*"There are trade-offs between the standard of service provided by Hunter Water and the costs of providing that service. The challenge is to meet customers' expectations and the minimum requirements whilst not exceeding their willingness to pay."*

Hunter Water is committed to delivering a level of service quality that is consistent with customer and community expectations and willingness to pay for those service levels. We therefore welcomed the addition of a new requirement in our licence to survey our customers by 30 June 2020 for the purpose of informing a review of System Performance Standards and rebates.<sup>14</sup> The first phase of work will involve understanding the aspects of services that are most important to customers, which would inform the setting of System Performance Standard measures.

We have been taking an active interest in regulatory approaches to performance standards used in other Australian jurisdictions. As an example, we invited one of the researchers involved in Icon Water's and the University of Waikato's extensive customer stated preference study to share their experiences with our employees.<sup>15</sup> We have also been working closely with Sydney Water as it undertakes its current customer engagement program. We consider Sydney Water's approach to be a substantial step towards addressing IPART's concerns. Sydney Water's multi-phased approach has included:<sup>16</sup>

- Understanding customers' attitudes and preferences, identifying the service failures that cause the most inconvenience,
- Allowing customers to indicate the trade-offs they make between service levels and willingness to pay,
- Undertaking engineering studies to determine the costs of achieving different service levels.
- Combining all outputs in a cost-benefit analysis, and

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<sup>12</sup> Sydney Water, 2018, p. 18 and 47.

<sup>13</sup> IPART, 2017, p. 46.

<sup>14</sup> Clause 3.3.4.

<sup>15</sup> Icon Water and University of Waikato, 2016.

<sup>16</sup> Sydney Water, 2018, p. 51 to 55.



- Validating results with customers.

Sydney Water's approach is consistent with Best Practice Licensing Framework<sup>17</sup> and emerging practices in other Australian jurisdictions.<sup>18</sup>

**19. Do you agree with our preliminary view that we should use an economic approach to setting System Performance Standards that takes account of the value that customers place on the level of services?**

We agree with IPART's principles, that system performance standards should be set with reference to customer preferences and promote socially efficient outcomes such that the benefits customers receive from the level of service outweigh the cost of its provision.<sup>19</sup> We note that endeavours to achieve socially optimal outcomes need to be tempered with equity considerations, to guard against small numbers of customers being unduly impacted by chronic problems and to take into account the nature of the services being provided and impacts of service failures.

We support Sydney Water's proposed changes in measuring system performance standards:<sup>20</sup>

- Changing target performance levels to (say) 5-year rolling averages, which would even out factors beyond the utility's control (e.g. weather).
- Expressing thresholds as a percentage of properties supplied, rather than an absolute number of properties, so that growth in customer numbers is transparently addressed.

As we stated during the end of term review of our operating licence, we are mindful that a property count above the target level for any of the performance standards would represent a breach of the operating licence, with the potential to result in reduced compliance grades, enforcement actions or penalties.<sup>21,22</sup> We recommend that care is taken in setting hard limits based on probabilistic results.

Sydney Water's approach involves understanding the types of events that inconvenience customers to inform selection of appropriate service measures, undertaking willingness to pay surveys, cost benefit analysis and consideration of the overall bill impacts. Our preliminary position is that this represents progress towards customer focussed and informed system performance standards that promote socially preferable outcomes.

We note IPART's citation of recent work optimising electricity transmission reliability standards.<sup>23</sup> Over the years the water industry has made several attempts at optimising asset management strategies that balance costs with customer and societal impacts (e.g. Critical Mains Research Program). Care needs to be taken in interpreting the results of optimisation exercises, because the factors affecting the performance of water supply systems are more diverse and interrelated than electricity transmissions systems. It should also be noted that whilst probabilistic approaches are informative, it is not possible to predict a specific failure in a specific pipe in a specific location.

At this stage, we consider that the approach outlined by Sydney Water makes substantial progress in balancing service levels and costs. The potential alternative approach of optimising standards in a similar manner to that adopted for electricity transmissions systems, should not be seen simply as an alternative option now.

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<sup>17</sup> IPARAT, 2013.

<sup>18</sup> See for example, public water utility submissions to the Essential Services Commission Water Price Review 2018.

<sup>19</sup> IPART, 2018, p. 60.

<sup>20</sup> Sydney Water, 2018, p. 49 – 50.

<sup>21</sup> Hunter Water, 2015.

<sup>22</sup> *Hunter Water Act 1991* (NSW), sections 17 and 17A lists enforcement actions for contravention of operating licence requirements, such as a letter of reprimand, monetary penalties up to \$150,000 or cancellation of the operating licence.

<sup>23</sup> IPART, 2018, p. 60.



In the short term we are of the view that there has been insufficient consultation with the water industry on such a significant change in approach, which may result in unintended or unforeseen consequences. However, the best option may be to adopt a transition pathway that works towards a more comprehensive optimisation approach in the future.

The Best Practice Licensing Framework does not preclude consideration of a multi-staged approach as an option within the end of term review cost-benefit analysis.

We welcome the opportunity to participate in discussions with IPART and Sydney Water on a broader review of approaches to setting system performance standards, preferably between licence reviews.

**20. Given the obligation to report on response times on water main breaks and leaks appears in two separate parts of the existing licence, what are your views on removing licence clause 4.3.1 and consolidating the reporting requirement in clause 8.2.1 of the licence?**

**What are your views on the usefulness of collecting information on response times for water main breaks and leaks?**

If the obligation to report on response times on water main breaks and leaks is retained in Sydney Water's licence, we consider it would be more appropriate to consolidate the clause with the other reporting requirements. See also response to issue 33.

**21. What are your views on maintaining or removing the existing obligations on Sydney Water regarding the Priority Sewerage Program?**

The existing backlog sewerage obligations require Sydney Water to participate in any review of the Priority Sewerage Program, if initiated by the NSW Government. We consider the inclusion of backlog sewerage clauses in Sydney Water's licence to be a legacy issue and point of divergence from Hunter Water's licence. Whilst we are not directly affected by these clauses, we consider that their retention in Sydney Water's licence would be inconsistent with the NSW Licensing Framework.<sup>24</sup> The case for licensing intervention has not been established.

**22. Given that the Security of Critical Infrastructure Act 2018 (Cth) regulates critical infrastructure, what are your views on including or not including critical infrastructure obligations in the licence?**

IPART's preliminary view is to not include any new licence obligations in this area. We agree that licence obligations are unnecessary for Sydney Water and Hunter Water, as both utilities are now covered by Commonwealth legislation.

**23. Do you agree with our preliminary view to maintain the obligation to have an Asset Management System but replace the International Standard with the Australian Standard and replace the reporting requirement on biennial State of the Assets Reports with a one-off Strategic Asset Management Plan? In addition, do you agree with our preliminary view to remove the certification requirement, the notification of proposed significant changes requirement and the completed transitional clauses?**

Our 2017-2022 operating licence was amended to refer to the Australian Standard and replace the reporting requirement with a one-off Strategic Asset Management Plan (which is a requirement under the Standard). No issues have arisen with the application of these clauses during 2017-18. We note that removal of the requirement for certification does not preclude a business decision to achieve certification as a means of demonstrating consistency with the standard.

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<sup>24</sup> IPART, 2013.



## ORGANISATIONAL SYSTEMS MANAGEMENT

24. **Given there are other environmental regulatory instruments and policies in place to manage Sydney Water’s environmental performance, what are your views on maintaining or removing an EMS obligation in the amended licence?**

**If the EMS obligations are retained, what are your views on removing the EMS certification and the requirement to notify IPART of any significant changes that Sydney Water proposes, and updating the clause to specify the most current standard?**

**Do you or your organisation depend on Sydney Water having an EMS to achieve certain performance outcomes or mitigate certain risks?**

During our last licence review the requirement to maintain and implement an EMS was retained and the clause was updated to specify the most current Australian standard. No issues have arisen with the application of these clauses during 2017-18. We note that removal of the requirement for certification does not preclude a business decision to achieve certification as a means of demonstrating consistency with the standard.

25. **Given there are other obligations already in the licence to ensure Sydney Water delivers quality products and services, what are your views on maintaining or removing a QMS in the amended licence?**

**If the QMS obligations are retained, what are your views on removing the QMS certification and the requirement to notify IPART of significant changes that Sydney Water proposes, and updating the clause to specify the most current standard?**

**Do you or your organisation depend on Sydney Water having a QMS to achieve certain performance outcomes or mitigate certain risks?**

During our last licence review the requirement to maintain and implement a QMS was retained and the clause was updated to specify the most current Australian standard. No issues have arisen with the application of these clauses during 2017-18. We note that removal of the requirement for certification, does not preclude a business decision to achieve certification as a means of demonstrating consistency with the standard.

26. **Do you agree with our preliminary view to update the existing obligations for customer protection on the ways Sydney Water communicates with customers?**

IPART’s preliminary view is to allow Sydney Water to provide information to each customer through the medium that the customer has selected for receiving bills (paper or electronic). We consider that the wording in our current licence requirement “*Hunter Water must prepare a pamphlet or pamphlets with the following information to Customers at least annually with their bills...*” already provides this flexibility. It is ultimately more convenient for the customer and more efficient for the utility if the information is provided via the customer’s preferred channel. Our reading of Sydney Water’s submission suggests it is seeking additional flexibility in the mode of information provision, consistent with outcomes-based licensing.<sup>25</sup> We are supportive of changes that increase flexibility in the provision of information. Flexibility is necessary with a five-year licence term so that technological improvements can be adopted, for the benefit of customers.

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<sup>25</sup> Sydney Water, 2018, p. 80.



## CUSTOMER AND STAKEHOLDER RELATIONS

### 27. What are your views on Sydney Water's proposed Customer Contract that will be attached to its submission to this Issues Paper?

We support endeavours to ensure the contract is up to date and to clarify respective obligations for Sydney Water and customers.

One of the main changes proposed by Sydney Water is the realignment of its Customer Contract rebates to better reflect customer views. As a result of the last review of Hunter Water's operating licence and customer contract, our licence was amended to include a requirement to survey our customers for the purpose of informing a review of System Performance Standards and rebates.<sup>26</sup> We welcomed the new requirement, noting its alignment with our commitment to delivering a level of service quality that is consistent with customer and community expectations and willingness to pay for those service levels.<sup>27</sup> We fully support the engagement activities that Sydney Water is currently undertaking, which we see as being consistent with the intent of our new licence obligation. We will continue to work closely with Sydney Water to understand their customer engagement approach, and its applicability to our region, as we develop an engagement program to address our licence requirements on the same topics.

We will continue to review the proposed changes to Sydney Water's Customer Contract and may provide further feedback during subsequent stages of the review.

### 28. What are your views on the effectiveness of the existing Customer Council?

In its Issues Paper, IPART has sought feedback on whether the Customer Council is effectively representing the customer base and providing informed advice about customers' perspective, values and priorities.

Hunter Water is committed to knowing its customers and community as well as possible. We are committed to learning with our customers and community to make better decisions. We have adopted an 'always on' model that will provide continuous opportunities for learning conversations with our customers and community.

We are actively engaging with existing networks of customers and communities, such as the Community and Customer Advisory Group (CCAG, our equivalent of Sydney Water's Customer Council), and creating new channels and forums for engaging with the widest possible range of stakeholders. Our approach is founded in representation and reach, both physical, social and demographic to ensure the integrity of the program and encourage a reciprocal learning journey.

The CCAG includes members representing categories of customers and various organisations, enabling communication between Hunter Water and local councils, customer representatives, environmental groups and community organisations.

In recognition of the challenges described by IPART, we undertook a strategic review of the CCAG in February 2018 via an extraordinary strategy session facilitated by the Institute for Sustainable Futures at the University of Technology Sydney. The intent of this session was to make clear the need for change and to begin to collaboratively explore the potential for the CCAG to change and what shape that change might take, both for CCAG and HWC. The workshop demonstrated that there is a great deal of enthusiasm for change on both sides. We have demonstrated our commitment to change by commencing a phased approach to implementation of the strategy session outcomes. A copy of the strategy session synthesis report is provided in Appendix A. Hunter Water's response to the recommendations arising from the CCAG Strategy Session and proposed timeframe for implementation is provided in Appendix B and is available in the Meeting Minutes and Report – May 2018 via <https://yourvoice.hunterwater.com.au/ccag>.

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<sup>26</sup> Clause 3.3.4.

<sup>27</sup> Hunter Water, 2017, p. 5.





Hunter Water's integrated approach to community engagement includes an events program that focuses on always listening, always learning and always acting on what we learn. Our innovative schools program engages with our young citizens to enable water saving conversations. Our broader customer engagement activities involve surveys, focus groups, stakeholder forums (e.g. Social Sector; Urban Development Institute of Australia), social media (Facebook, Twitter, Instagram and Youtube) and the strategic use of all our customer touchpoints, including events, emails and accounts. For example, we recently launched a new newsletter for all homes called the "The Fountain". Our "Love Water" campaign is providing a key link between our engagement mechanisms, driving up visits to our Facebook page and website, and creating a positive context for ongoing community engagement. "Love Water" aims to generate curiosity within our community on how we can partner, collaborate and keep our options open on the future of water in the Lower Hunter.

As a first for Hunter Water, we now have a 24/7 interactive website "Your Voice" which will act as a centralised portal for all engagement activities (<https://yourvoice.hunterwater.com.au/>). Already letters to residents about projects in their area are directing people to this portal, and the CCAG is using this site to coordinate its activities, as part of this existing groups "strategic refresh". Your Voice includes tabs for our major projects and strategies, and will enable a coordinated response to customer feedback and consolidated reporting internally about the responses from our customers. Since its launch there have been more than 600 unique visits to Your Voice. Your Voice will be home to ongoing community engagement with key community sectors including the developer community and young people. Your Voice will also give more visibility to the activities and outcomes of the CCAG and community members are invited to share their ideas for this group to consider.

We are organising meetings with the highest water consumers in the Lower Hunter area - 31 companies who together are responsible for the consumption of more than 20% of our water - with the objective of engaging with them on water efficiency initiatives. A forum for the major customers will be held in August, at which time we will be seeking expressions of interest for members of an ongoing forum of major customers. We will also engage with other groups such as builders and plumbers and their industry organisations as part of our engagement plan.

We have a broad range of engagement activities planned to enable input to long term planning and regulatory reviews. These range from specialist economic studies to deliberative forums and are being guided by independent customer engagement experts. In line with the recommendations from the CCAG Strategy Session, we have expanded the group's role so that the CCAG can be utilised to engage with the broader community. We have included a standing agenda item at each meeting to update the CCAG on engagement activities across Hunter Water.

Our strategic review of the CCAG, in collaboration with members, has resulted in changes to address IPART's query about the effectiveness of a Customer Council or CCAG in representing the customer base and providing informed advice about customers' perspective, values and priorities. A draft revised charter was discussed at the August CCAG meeting that includes expanded membership, term limits and an independent Chairperson.

## **29. Do you agree with our preliminary view on the composition and role of the Customer Council?**

IPART's preliminary view is to amend existing obligations on the role of the Customer Council to include both:

- obtaining advice on and representing the interests of customers on key issues related to planning and operations (similar to existing clause), and
- providing advice on customer engagement strategies and the use of those strategies in making level of service and business planning decisions.

In principle, we support the concept of the utilising the Customer Council, or our CCAG, to provide input to how we engage with customers and the community. Following the CCAG strategy session we described in response to question 28, we now include a standing agenda item at each meeting to update the CCAG on engagement activities across Hunter Water. We are proactively updating the CCAG Charter to reflect this expanded role.



In parallel, we are enthusiastically expanding our community engagement program to encompass a broad suite of forums and channels that will enable us to understand views and preferences by reaching more customers and stakeholders via a mechanism that suits them.

We note that the prevailing licence obligations for both Sydney Water and Hunter Water do not preclude using the Customer Council or CCAG to provide input or advice on customer engagement strategies and therefore we question whether the threshold for regulatory intervention has been met (stage 1 of the Best Practice Licensing Framework).<sup>28</sup> If IPART is included to include expanded obligations on the role of the Customer Council then we recommend that it articulates the advisory nature of the role. Whilst we endeavour to reflect feedback from the CCAG in our activities, we note that there may be times when we need to balance the views of the CCAG with advice provided by independent experts that we engage, in the event that the advice diverges.

IPART's preliminary view is to amend existing obligations on the composition of the Customer Council to require experts in customer engagement. We request further clarification on the nature of the amendments. We can see merits in including some members of the CCAG with "*expertise in representative customer engagement*", and "*expertise in using scientific and statistically-based customer research and engagement methods to understand customer perspectives, values and priorities*" as suggested by IPART in its Issues Paper.<sup>29</sup>

We would like to be involved in further discussions that clarify the intended extent of this change, such as:

- the definition of "expertise",
- whether all CCAG require this expertise,
- the pool of suitable experts,
- interactions with other CCAG roles (e.g. provision of feedback and input on behalf of customers not just feedback on customer engagement),
- remuneration requirements for expert involvement, including equity considerations and alignment with the Premier's Memorandum for NSW Government Boards and Committees, and
- any unintended consequences for Hunter Water's efficient procurement of community engagement service providers to assist with conducting engagement activities.

Our interpretation of IPART's preliminary view is that it prefers to mandate a focus on the CCAG as the central vehicle for community engagement. We see that all of our customer engagement activities contribute to understanding customers' perspectives, values and priorities and incorporating these into our decisions. Our preference is therefore for the operating licence to maintain flexibility so that we can interact with a breadth and depth of customers and stakeholders via a range of mechanisms and reflect their views on the most effective form of engagement.

Overall, the questions raised by IPART are pertinent and we do not oppose the proposed amendments, subject to some clarifications.

### **30. Do you agree with our preliminary view to remove prescriptive obligations and replace them with outcome-based obligations?**

We support outcomes-based regulation and recognise that the existing clauses on the Customer Council, or our CCAG, are an overly-prescriptive anomaly in an otherwise well-designed instrument. We note that the legislative requirement to include a Customer Council in Sydney Water's operating licence (and consultation with customers in Hunter Water's operating licence) is broad and does not necessitate the level of prescription that is currently evident.<sup>30</sup>

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<sup>28</sup> IPART, 2018, p. 21.

<sup>29</sup> IPART, 2018, p. 84.

<sup>30</sup> *Sydney Water Act 1994*, s. 15 and *Hunter Water Act 1991*, s. 13.



Our preference aligns with Sydney Water's, viz:<sup>31</sup>

*"...a light-handed approach to be adopted in this area, for example:*

- *a generic obligation for Sydney Water to maintain a Community Advisory Council, with members to be determined by Sydney Water, and*
- *a requirement to seek advice and input from the council on key issues related to Sydney Water's planning and operations, including customer engagement strategies, as well as any other issues as determined by Sydney Water."*

**31. Do you agree with our preliminary view to:**

- **Maintain the obligation for Sydney Water to maintain cooperative relationships with NSW Health, the Environment Protection Authority (EPA) and the Water Administration Ministerial Corporation (WAMC)?**
- **Maintain and update the obligation for Sydney Water to maintain a cooperative relationship with Fire and Rescue NSW (FRNSW)?**
- **Remove the obligation for Sydney Water to maintain a cooperative relationship with the Department of Planning and Environment (DPE)?**

Our view is that it is appropriate to maintain obligations to maintain cooperative relationships with government stakeholders. The approach publically reinforces the importance of, and commitment to, constructive interactions for the benefit of customers and the community. We consider Sydney Water and the relevant agencies to be best placed to comment on the appropriateness of specific clauses within their jurisdictions. We support Sydney Water's view that the licence requirements should remain as 'best endeavours' obligations because best practice licensing involves limiting requirements to only those within the regulated organisation's control (because only the licensee can be held accountable for compliance).<sup>32, 33</sup>

## PERFORMANCE MONITORING AND REPORTING

**32. Do you agree with our preliminary view to maintain the existing obligations for operational audits?**

IPART's preliminary view is to consolidate the existing obligations in the amended licence. Sydney Water's existing licence obligations for operational audits are consistent with Hunter Water's obligations. We have not experienced any difficulties with the practical implementation of these requirements.

**33. Do you agree with our preliminary view to maintain the existing obligations on reporting but consolidate these obligations in the amended licence?**

IPART proposes to consolidate all reporting requirements into one section of the licence. We interpret this to mean IPART is inclined to recommend reporting clauses more consistent with Hunter Water's licence. This minor amendment would be consistent with the objective of making the licence easier for stakeholders to understand, which is an IPART objective in amending the licence structure.<sup>34</sup>

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<sup>31</sup> Sydney Water, 2018, p. 23.

<sup>32</sup> Hanna, *et al.*, 2016.

<sup>33</sup> Sydney Water, 2018, p. 101.

<sup>34</sup> IPART, 2018, p. 25.



**34. Do you agree with our preliminary view to maintain the existing environmental indicator obligations and remove duplication with the existing reporting obligation?**

There is a legislative requirement for Sydney Water's licence to include environmental indicators.<sup>35</sup> There is no parallel requirement in the Hunter Water Act 1991, therefore we consider this a matter for Sydney Water and its stakeholders. In general, we consider removal of duplication to be regulatory best practice.

**35. Do you have a view on what would be the most useful environmental indicators for Sydney Water to report on?**

This is considered a matter for Sydney Water and its stakeholders.

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<sup>35</sup> Sydney Water Act 1994, s14(1)(d).



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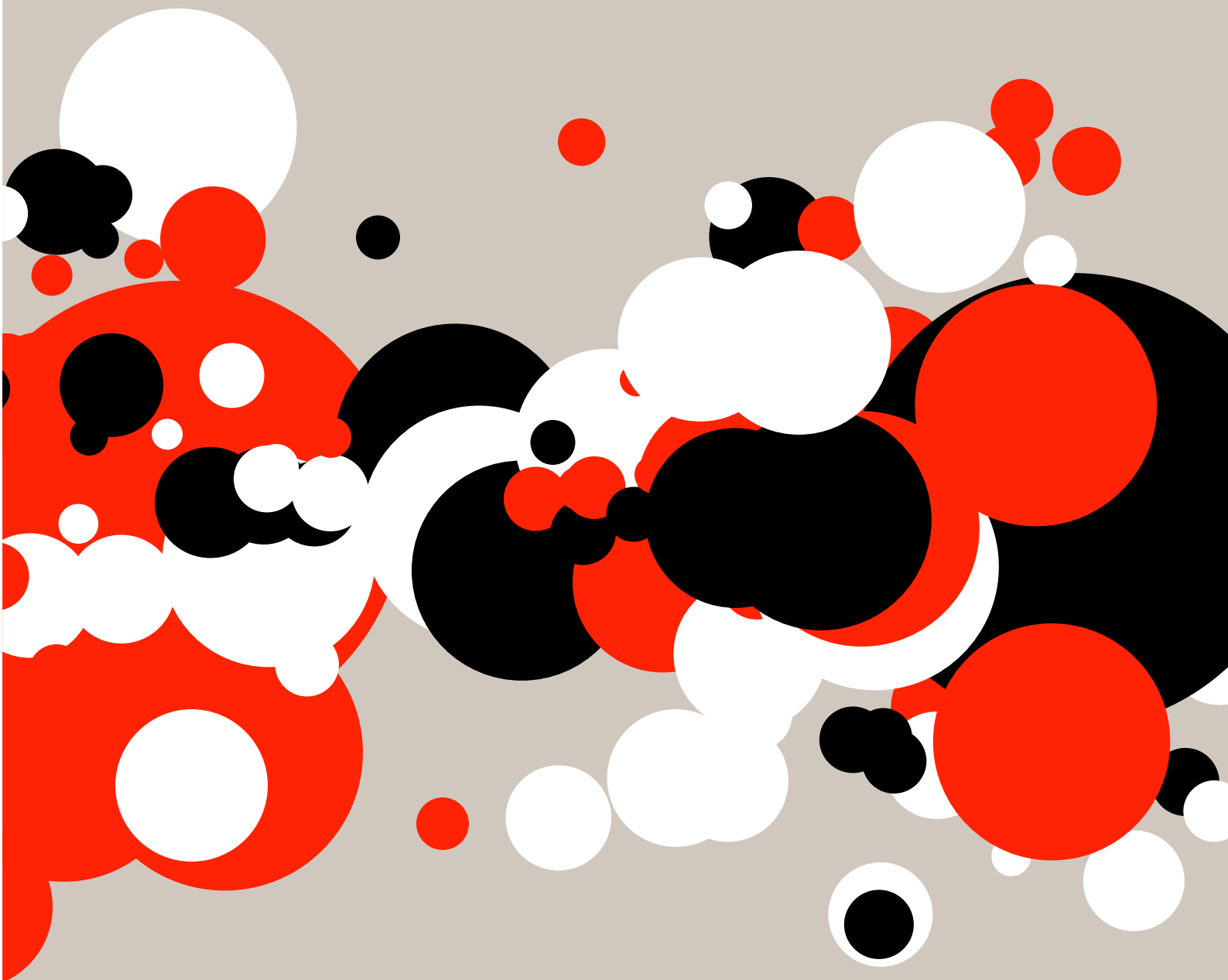
## **APPENDIX A: CUSTOMER AND COMMUNITY ADVISORY GROUP EXTRAORDINARY STRATEGY SESSION MEETING REPORT**



# Customer and Community Advisory Group Extraordinary Strategy Session MEETING REPORT

Prepared for: Hunter Water Corporation

Institute for Sustainable Futures



## ABOUT THE AUTHORS

**The Institute for Sustainable Futures (ISF)** was established by the University of Technology, Sydney in 1996 to work with industry, government and the community to develop sustainable futures through research and consultancy. Our mission is to create change toward sustainable futures that protect and enhance the environment, human wellbeing and social equity. For further information visit: [www.isf.uts.edu.au](http://www.isf.uts.edu.au)

ISF team: Distinguished Professor Cynthia Mitchell and Dr Keren Winterford

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## ACKNOWLEDGEMENTS

Declan Clausen and Stephen Rainbow from Hunter Water provided support in set up of the extraordinary meeting, special thanks go to them and also Hunter Water staff who provided logistical support on the day. We would also like to thank Customer and Community Advisory Group members and also Hunter Water staff who participated so actively in the various sessions within the agenda. The report documents the outcomes of individual and group discussions and is very much a report of all that was offered and contributed on the day.

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## Executive Summary

Hunter Water Corporation has adopted a new and ambitious strategy. The strategy has implications for every part of the business, including community engagement. Whilst Hunter Water Corporation (HWC) has met its statutory obligations with respect to engagement historically, primarily through the Customer and Community Advisory Group (CCAG) (previously known as the Community Consultative Forum), these obligations have been at the lowest level of public participation, principally focused on informing<sup>1</sup>.

The Institute for Sustainable Futures at the University of Technology Sydney was invited by Hunter Water Corporation to design and deliver a futures-oriented workshop in an extraordinary meeting of the CCAG. The intent of this session was to make clear the need for change and to begin to collaboratively explore the potential for the CCAG to change and what shape that change might take, both for CCAG and HWC.

The workshop, which took an Appreciative Inquiry stance, demonstrated that there is a great deal of enthusiasm for change on both sides. The CCAG want to be something different: they see many positives with how things have been, and they see value in changing and improving. The workshop outputs provide starting points for HWC and CCAG to take forward, ranging from simple procedural matters such as meeting frequency and chairing responsibilities, to more significant questions around the role of the group, the agenda and membership. We have synthesised these into four areas: membership, meetings, the role of CCAG, and engagement with HWC. We recommend a phased approach across these four areas, and propose some quick wins to get things moving, whilst medium and longer-term specifics are negotiated and clarified.

A collaborative change management process needs to be just that. Our strong recommendation is that HWC continues with the collaborative process it has begun, ensuring the process is consultative and that the outcomes (such as new norms of behaviour) are collaboratively agreed, reflecting the consultation commenced at the extraordinary meeting. In other words, HWC needs to avoid the temptation to revert to a 'lowest common denominator' approach, unilaterally determining the new parameters and telling the CCAG what will happen next. Not only is there strong goodwill and motivation in the CCAG, but also their preferred directions for change matched HWC's, so a collaborative path forward will provide dividends.

The report provides recommendations for next steps as well as a summary of the workshop process and outcomes. All relevant details of the extraordinary meeting (agenda, invitees, participants, workshop outputs) are included in appendices.

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<sup>1</sup> The International Association for Public Participation (IAP2) has defined a Public Participation Spectrum – it has become the global standard. A copy is provided in the Appendix, Section 5.6

# 1 Introduction

This report provides a summary of an extraordinary meeting of Hunter Water Corporation's (HWC) Customer and Community Advisory Group (CCAG) held on Monday 12 February 2018 (1pm – 4.30), facilitated by Cynthia Mitchell and Keren Winterford from the Institute of Sustainable Futures University of Technology Sydney (ISF-UTS). The report provides a brief summary of the process followed, key topics of discussion which emerged from group discussion and suggested ways forward for Hunter Water Corporation (HWC) to take in its engagement with the CCAG.

Appendices provide detailed content of the extraordinary meeting and outcomes of individual reflections, small group work and plenary discussions.

## 2 Summary of process

Expected outcomes were defined for the meeting and provided to invited participants before the meeting (Tuesday 6 February sent by HWC in an email to CCAG members):

**Overarching Intent:** Hunter Water's ambitious strategic direction calls for greater input from its customers and communities. To achieve this intent, this session is proposed to begin process of equipping and empowering the Customer and Community Advisory Group to be a key body to challenge Hunter Water's thinking and provide community input into decision making.

- To motivate and encourage Customer and Community Advisory Group members in their roles in relation to Hunter Water
- To motivate and encourage relevant Hunter Water staff in their roles in relation to the Customer and Community Advisory Group
- To celebrate the contribution of the Customer and Community Advisory Group to date and build on this as a foundation for moving forwards
- To explore how Hunter Water and the Customer and Community Advisory Group could collaboratively evolve their practice to best meet needs and support the 2017+3 Strategy
- To propose and prioritise changes in the Group's focus as well as practical operations and ways of working, including implications for both Hunter Water staff and the Customer and Community Advisory Group members
- To agree and confirm next steps in securing the new agenda for the Customer and Community Advisory Group

The meeting was structured around key topics to meet the expected outcomes of the meeting (See Annex 4.2 - Meeting Agenda):

- Explore strengths of the existing practice of the Community Forum;
- Consider scenarios of the future - water and water management;
- Identify what the CCAG at its best looks like in the future; and
- Recommendations for actions – key elements of purpose / practice for the future.

Since the session was an extraordinary meeting of the CCAG, Hunter Water staff from across the organisation were also invited to attend, in order to contribute to the discussions on the strategic and operational practice of the group.

20 individuals attended the meeting (11 from the CCAG and 9 from HWC) (See Annex 4.1 for list of meeting attendees).

The meeting started with catered lunch at 1pm – and then extraordinary meeting agenda started at 1.30pm and was completed at 4.30pm (See Annex 4.2 - Meeting Agenda).

### 3 Summary of outcomes

The extraordinary meeting surfaced a strong desire for change and improvement to the CCAG, across a range of different dimensions, whilst building from and leveraging what is working well.

In order that the CCAG does achieve its potential it will be important for the energy generated during the extraordinary be nurtured and sustained and a road map for the way forward to be established. It will be important that HWC and the CCAG work together to prepare the road map, define where to start and continue, to leverage the energy of the group for change, and to create new norms of behaviours and interactions within and between the CCAG and HWC.

The extraordinary meeting did not realise clear consensus on actions to be taken, but it did highlight key areas for change and there was definitely consensus in the room for the need to change key areas in how the CCAG operates.

Key recommendations are summarised below, further detail is provided in the Appendices which document the outputs from group work in each session.

Suggested topics for change / future focus and also specific examples for change included:

<p><b>Membership:</b></p> <ul style="list-style-type: none"> <li>• Continue diversity /disparate group of members</li> <li>• Broaden membership (eg industry rep. youth rep. local, state government) to be representative of HWC constituents</li> <li>• Enact term limits for members</li> <li>• Induct new members with orientation / position descriptions</li> <li>• Ensure responsibility / KPI to engage with and be representative within the CCAG of broader constituency and report to CCAG and HWC</li> <li>• Establish sub-committees on various subjects / regions (eg community, infrastructure, storage and management)</li> </ul>	<p><b>Meetings:</b></p> <ul style="list-style-type: none"> <li>• Meet more regularly (various time frames – bi-monthly/quarterly) suggested but definitely more often!</li> <li>• Change chairing protocols</li> <li>• Revise meeting agendas – split between strategic, operational and responsive to issues</li> <li>• Change way in which agenda is set/sent (CCAG member input to agenda)</li> <li>• Change format of meetings – mix between presentations, reporting, Q&amp;A</li> <li>• Engage virtually as a group between meetings and with HW</li> <li>• Meetings as field visits</li> <li>• CCAG members to have input into agenda</li> <li>• Ensure engagement of HWC CEO and senior leadership</li> <li>• Include informal interactions in meeting (ie start with lunch)</li> </ul>
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<p><b>Role of CCAG in community engagement</b></p> <ul style="list-style-type: none"> <li>• Utilise the CCAG for HWC to engage with broader community</li> <li>• CCAG can be champion HWC initiatives in the case that it is briefed about projects and initiatives in the community (eg water wise rules).</li> <li>• Utilise the group as 'clearing house' for comments/suggestions offered by broader community (and enable more direct engagement of community – ie through comments page on website)</li> <li>• Engage with CCAG on strategic and operational issues</li> </ul>	<p><b>Engagement with HWC:</b></p> <ul style="list-style-type: none"> <li>• Continue engagement of senior staff</li> <li>• Broader set of HWC to engage with and utilise the CCAG for community engagement</li> <li>• Move from 'informing' to 'collaborative' practice</li> <li>• Ensure accountability and responsiveness – communication feedback between the CCAG HW (to what extent recommendations from CCAG actioned /why/how)</li> <li>• Encourage social and informal interactions between the CCAG and HW</li> </ul>
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## 4 Suggested next steps for Hunter Water Corporation

Based on our engagement with the CCAG and HWC, and informed by the outcomes of the extraordinary meeting, ISF-UTS provides comment, suggested steps for HWC to manage and engage with the CCAF, and likely implications of such action.

### 4.1 Purpose of the CCAG and contribution to HWC

- It will be important for HWC to clarify the purpose of the group, and communicate internally with staff at HWC, external stakeholders and also CCGAG members themselves.
- It will be valuable for HWC to consider how best the CCAG could support delivery of the 2017+3 Strategy, recognising the strong emphasis on providing service to 'our customers, consumers and communities'
- It will be valuable to consider how the CCAG fits within HWC overarching Community Engagement Strategy and to what extent the CCAG connects or not with other community engagement initiatives initiated by HWC but also by CCAG members. It will be valuable for both the CCAG and HWC staff to understand the contributions that this group might offer, but also the boundaries of its action / contribution.

### 4.2 Phased approach to change management process

The extraordinary meeting surfaced a strong demand by CCAG members (and also echoed by HWC staff) for significant changes to the strategic value and operational practice of the CCAG.

The group expressed a strong appetite for change, which will need to be enabled by HWC and will require different types of practices by HWC in their engagement with, and leadership of the CCAG. For example, considering a typology of participation, participants of the extraordinary session described an interest to move from processes of 'informing' to 'collaborative' practice.

The change management process of the CCAG itself will need to be carried out with this consideration in mind. On the basis that HWC agrees to change the typology of public participation and the process of change management needs to be consistent with this approach. A change management process and also different way of working will need to be led by HWC as the sponsor of the CCAG.

It is proposed that a phased approach be taken for the change management process to motivate and encourage continued action and responsiveness to change within the group.

Short Term:	<p>Establish 'quick wins' and agree on easy to do actions to foster trust and good will in the change management process, and motivate and encourage more change</p> <p>For example: agree to bi-monthly meetings; change CCAG meeting chair arrangements; change the agenda focus of meetings</p>
Medium Term:	<p>Establish processes for engagement of key stakeholders in HWC, in order to ensure clarification and agreement to changes, and also better equip the CCAG members to take up new/different responsibilities</p>

	For example: the CCAG working across both strategic and operational aspects of HWC, and working in more connected ways that enable and support the work of HWC within the broader community (ie advocating for HWC initiatives within the community)
Long Term:	Establish a pathway to evolve practice along a spectrum of public participation as appropriate – from informing to collaborative practice  For example: providing resources and skills to upskill HWC staff in the practice of public engagement and ensure CCAG members are equipped to engage in collaborative practice.

As HWC and the CCAG move forward in a change management process, it will also be important to take stock of progress achieved and next steps to be taken. A reflective process which builds from appreciation of success, challenges and opportunities will be valuable to enrich and sustain a change management process, and to ensure that investments from both HWC and CCAG members contributes to positive outcomes, and that ultimately the CCAG contributes to the achievement of the 2017+13 strategy.

### 4.3 Considerations / Implications of next steps

- *Leadership and resourcing of the CCAG:* in the case that HWC is committed to having a more highly engaged CCAG, this will require staff time and necessary budget.

For example: to have more frequent meetings; to change style of meetings to collaborative practice; to draw on the CCAG to support organisational wide strategic and/or operational practices; to engage CCAG members in drafting agendas.

- *HWC engagement with the CCAG:* a change management process as was described by CCAG members and HWC staff will require a shift in practice from within HWC, such that staff are equipped to engage more with the group and for HWC to use the group in its community engagement processes more broadly.

For example: as part of induction of new HWC staff, provide resources to enable staff to consider if/when/how they can engage with the CCAG as part of the broader community engagement processes.

- *Recognise the opportunities and challenges of community engagement:* as demonstrated through the practice of the extraordinary meeting, there is great value in supporting collaborative practice, promoting ownership and responsibility within the CCAG. Building consensus is not easy and processes of community engagement are not always easy and not everyone is always happy! However such community engagement is essential and a critical part of ensuring services are consistent with and support community expectations as articulated and mandated in HWC’s purpose within the 2017+3 strategy.



## 5 Appendices

### 5.1 Invites and Attendance

#### *Customer and Community Advisory Group Members*

	NAME	ORGANISATION	ATTENDEES
1	Rick Banyard	Property Owners Association	ATTENDED
2	Joe Thompson	Hunter Local Land Services	
3	Mr James Hopson	Williams River Water Users Association	ATTENDED
4	Anita Hugo	Hunter Business Chamber	Represented by John
5	Linda Bowden	Save the Williams River Coalition	ATTENDED
6	William Lennox	Maitland Masonic Centre	ATTENDED
7	Joan Lambert	Newcastle Older Women's Network	
8	Cr Brian Adamthwaite	Lake Macquarie City Council	ATTENDED
9	Cr Jason Dunn	Newcastle City Council	ATTENDED
10	Cr Paul Le Motte	Port Stephens Council	ATTENDED
11	Dr Troy Gaston	University of Newcastle	
12	Cr Geoff Dingle	Medowie Progress Association	ATTENDED
13	David Beins	UTS	ATTENDED
14	Jean McGarry	LM Sustainable Neighbourhood Alliance	ATTENDED
15	Melanie Dagg	Cessnock City Council	
16	Tracey Norman	Dungog Shire Council	ATTENDED

Hunter Water Corporation participants:

	NAME	ROLE AT HWC	ATTENDEES
		<b>Public Affairs</b>	ATTENDED
1	Declan Clausen	Executive Officer to the Managing Director	ATTENDED
2	Keiran Smith	Public Affairs Manager	ATTENDED
		<b>EMT</b>	
3	Clint Thomson	Executive Manager Service Delivery for Customers	
4	Darren Cleary	Executive Manager Investment and Innovation	ATTENDED
5	Fiona Cushing	CFO	ATTENDED
6	Peter Kembrey	Executive Manager Corporate and Legal	
7	Richard Harris	CIO	
8	Victor Prasad	Executive Manager Customer Strategy and Retail	ATTENDED
		<b>Regulatory Team</b>	
9	Peter Shields	Manager Regulatory Policy	ATTENDED
10	Emma Turner	Regulatory Economist	ATTENDED
		<b>Strategic Programmes</b>	
11	Emma Berry	Programme Director, Water Resilience	
12	David Derkene	Program Director, Sustainable Wastewater	ATTENDED

## 5.2 Meeting Agenda

TIME	TOPIC	ACTIVITY
1.00 – 1.30	Lunch	
1.30 – 1.50	Welcome / Introductions / Overview of the session	
1.50 – 2.20	Opening the conversation: “how does this forum best support the 2017+3 strategy”-	Focus on highpoints and strengths of existing practice of the Forum  Individual reflection then discussions in small groups containing both CCF and HWC (10 min) What did we learn? Plenary discussion of small group conversations
2.20 – 2.40	The Future of Water (in the Hunter Valley) and what this means for Community Engagement	Plenary presentation from ISF. Key messages: <ul style="list-style-type: none"> <li>▪ Why the 2017+3 strategy is important + why community engagement matters</li> <li>▪ Potential scenarios for water security – hard decisions will need to be made</li> <li>▪ HWC needs assurance that they are making the best decisions in the interest of the community</li> <li>▪ HWC wants to be supported by community as they make these decisions</li> <li>▪ The increasing importance of role of customer/consumer/community engagement. Ladder of participation and examples of other water utilities; working beyond statutory minimum requirements</li> </ul>
2.40 – 3.30	Designing the future – practical ways of working together for the Forum and Hunter Water	Small mixed group discussions – 5 in a group  <i>what does the (best future) for this Community Forum look like? Feel free to dream / be brave / be bold – everything is up for grabs – there needs to be a change to support the 2017+3 strategy – what do you want to continue / strengthen; change / stop; do new / differently</i>  (10 min) Share emerging ideas / identify hot topics
3.30 – 3.45		AFTERNOON TEA
3.45 – 4.15	Distilling recommendations for the future Forum	Same small groups, draft recommendations deemed most important to the group. Share and
4.15 – 4.30	Wrap up and next steps	<ul style="list-style-type: none"> <li>▪ Recap on decisions / priorities / recommendations made</li> <li>▪ Process of communications from meeting back to Hunter Water</li> <li>▪ What next at next meeting</li> </ul>
400	CLOSE	Thanks + Close

### 5.3 Session outputs: Current strengths

*This appendix documents individual reflections and then small group work in response to the question 'what has been the highpoint of your participation / involvement with the CCAG?'*

*Reflections were recorded on a whiteboard and reported below:*

#### *Synthesis points*

- diversity of views and experience of CCAG and HWC
- all about relationships and communication
- multiple levels and topics of focus
- mutual learning and listening within and amongst CCAG groups and HWC

#### *Input*

- Covers range of interests e.g., storage, reticulation, sewage
- refocused on the community
- diverse membership includes disparate groups
- facilitation of communication – from HWC to multiple stakeholder groups through CCAG
- true consultation
- direct communication: rare for wide range of people to have opportunity to sit with CEO and senior officers – both get the chance to hear from 'the horses mouth'
- senior HWC representation
- corporate knowledge
- enthusiastic and passionate
- open to understanding / sharing of HWC position
- open and honest communication
- providing information and using as community sounding board
- corporate knowledge of HWC provided to the group
- knock-on effect of group seeing members engage in other water fora – and bringing these interactions and learning back to the CCAG
- new and old members see potential of it going forward

## 5.4 Session outputs: Continue / Stop / Different

*This appendix documents group work in response to the question 'What does the best futures for this Community Forum look like?...What do you want to do: #Continue/strengthen #Change/stop #Do new/different'*

*Outputs from multiple small group work is documented and grouped under key themes which emerged from the multiple groups. The wording is kept as was written on flip charts by each group.*

### **To strengthen / continue...**

#### Engagement with Hunter

- Senior executive involvement
- Access to CEO and senior officers
- Ongoing conversation on issues (not just a snapshot at a point in time) or for a specific report – feedback should be ongoing)
- Feedback loops - e.g. floating ideas to CCAG + receiving feedback / CCAG members can assist in “heading off” potential issues
- Water wise rules - Continue to reinforce / Keep some consistency in messaging / Front of mind
- Constituents ---- CCAG----- HWC
- Diversity --- CCAG + HWC reps

#### The CCAG members

- Diversity in the CCAG - Good cross section
- Encourage representativeness
- Encourage and support CCAG members in taking updates back to their constituents - Maybe add an agenda item on how they are doing this (i.e. passing on messages and canvassing questions)
- Improve diversity of the CCAG. More representative of broader community

#### The meeting topics

- Continue to focus on community needs.
- Continue consulting on emerging operational issues but focus on strategic issues as well
- Strengthen group to advocate on behalf of new initiatives that HWC might be undertaking – ‘Sounding Board’

#### The meeting

- Independent chairperson
- Vary venue
- Field visits – continue. These are valuable for the awareness + education of the group.

## What to change/stop...

### CCAG membership:

- Membership
  - Who gets to be here?
  - How they get to be here?
  - Who are they representing?
  - How does it represent broader community?
- The target membership does not always reflect the skills and experience we desire
- Term of membership

### The CCAG meetings:

- Balance discussions between operational and strategic matters
- Moving to consult/involve/collaborate in the IAP2 spectrum
- Talked at and not listened to
- Rotating meeting chairperson
- Improve reporting – Data / Actions from meetings
- Bring back the Christmas party
  - Improve understanding
  - Informal conversation

### Content of the meetings:

- Stop only thinking of the 'demand' side, also think of the 'supply' side
- Telling others before us (we want an ongoing 2-way conversation and to be a source of truth for others) – Keep us in the loop.

## What to do new/different:

### CCAG membership:

- Role description for new members
- Group is representative of all HWC constituents
- Use CCAG to provide input and preliminary feedback (and ongoing refinement) to customer/community engagement, advertising campaigns, new initiatives.
- CCAG members report to HWC on their activities
- Develop KPIs on reporting of activities or other roles
- Two-way responsibilities and accountabilities for both HWC + CCAG (included in a PD)
- Can we broaden membership
  - End-user representatives
  - Large users/industry
  - More outside industry experts
  - University/hydrologists – turnover

### Community – Hunter Water Corporation Engagement

- Process for individual customers or community member raising ideas to solve a challenge (eg Why don't we recycle wastewater and transfer to food growing areas) or storing storm water to water parks ) on homepage of website
- Use the CCAG to screen and prioritise new ideas
- Feedback loop – how advice is used
- Look at new communication channels – social media

- HWC better promoting the CCAG
  - What it is? Who are the representatives
  - Greater/increasing membership scope
  - Who is your representative?
  - Outcomes achieved

The CCAG meetings:

- Change the way the agenda is set – prompts or potential issues
- Start at lunch time with a “fire side chat”
- Webcasts? For a full meeting or part of the meeting. (need to do in a “safe” way so CCAG are still open and honest)
- Other ways of meeting other than face-to-face – digital ways to communicate
- Increase meeting frequency or information sharing through new platforms. Timing of meeting – different time/day.
- More flexibility in how we interact with each other
- Open site inspections to public as well as CCAG
- Relevance on the agenda to match membership. Helps drive attendance.
- More input from CCAG into the agenda (already started)
- Tours for new (+existing) CCAG members – sense of connection/understanding

CCAG in Hunter Water strategy and operations

- Provide context for media releases (eg temp desal media release – didn’t clearly explain fit and LHWP or what’s happening with other aspects) – we want to be able to answer questions from our constituents.
- Provide an email update/link to update or online portal to log in/to get a guide informal update on an issue e.g. solar trial on G’town Dam).
- When a new initiative is implemented (including pilots, trials) provide immediate feedback to CCAG so we can pass on to our constituents
- Sub groups
  - Storage/management – catchments
  - Infrastructure – local council role
  - Community engagement
- Community engagement/segmentation
- Design/execution
- Screening and advice on questions
- Have a discussion on how HWC spends money in the community. It is rate payers money. A widening scope of topics covered at the group to include philanthropy, donations, sponsorships
- Discussions on sale of major assets with the group

## 5.5 Session outputs: Recommendations

*This appendix documents small group work in response to an invitation to record recommendations under key topics which emerged as priority issues in the earlier sessions.*

*It's important to note small groups were invited to provide recommendations under each of the headings. The notes below highlight that whilst many recommendations for change were provided, there were inconsistencies in the specific recommended actions going forward. Also, not all areas had recommendations developed. This should be seen as first draft of possibilities, to be built on collaboratively.*

### **How meetings run (agenda, timing, frequency, Chair)**

- Virtual meetings (any other forms)
- Virtual meetings e.g. video conference, webinar, etc
- CEO to chair every meeting
- Meet once every two months
- Location – meeting places accessible and centrally located
- How to offer CCAG suggestions
- Timing and frequency
- Quarterly meeting supported by online resources
- Change from every 4 months
- Agenda – prompt people (with categories)
- For agenda items – sewer, water, pipeline, dams, new ideas and other

### **What is / or should be on the agenda?**

- Meeting agenda
  - 30% Reports
  - 30% Presentations
  - 40% G.B. Admin questions
- Regular report on lower Hunter Strategy

### **Two-way responsibility and accountabilities (CCAG – HWC) – KPI, Position Description**

- Inform the group how advice/input on a specific issue or topic was used
  - Accepted
  - In part
  - Rejected

### **Responsiveness/feedback/answer ability (what happens to an issue...Closing communication loops)**

- Feedback loops HWC to investigate online platforms to improve information sharing between HWC and CCAG

### **Feedback loops + 2 way communication**

- (no recommendations offered)

### **Proactive approach to issues on agenda (tell us before others)**

- (no recommendations offered)



## **What will more collaborative/consultative orientation mean in practice for CCAG + HWC**

- Big prominent button on website to suggest ideas on what could be done better/different
- CCAG to prioritise ideas put forward

## **How to balance specific issues with diverse membership (keep group interested/active)**

- Balancing specific issues with diverse group
  - Create sub-groups to focus on specific issue or region
  - Include reporting back to main CCAG
- Sub-committee style
  - Community
  - Infrastructure
  - Storage and Management
- Specific issues with diverse group
  - Community representatives provided with 10-15 minute slot to discuss/raise topical issues in their area

## **How to better engage broader community**

- Publicise CCAG activities + wins in local outlets e.g. Dungog Mayor's Newsletter
- All members report to stakeholders

## **Engaging beyond (before and/or after) meetings**

- Online portal or discussion group for CCAG (available between meetings)

## **Membership – Who is here? Who are they representing?**

- List of:
  - Local government
  - State government
  - Federal government
  - Communication groups
  - Anyone else that should be on CCAG
- Terms of membership (detail TBC) – 3 years
- Membership position description
  - Have a 2-3 year maximum terms for members
  - Include in a CCAG PD or charter
- Membership
  - How to contact EWON, PIAC for representatives
- Membership
  - One large industrial customer representative

Action: HWC to invite large industrial customer(s) to nominate a representative  
CCAG to provide suggestion of representatives for industrial customers

- Membership
  - HWC to contact VoN student rep body for representative of 'youth'


## 5.6 IAP2 Public Participation Spectrum

This spectrum was included as part of the 'Future of Water' presentation and included as a handout for participants. It is the global standard for categorising types of engagement according to the intent of the process, the stage of the project, and the experience of participants. The presentation linked the framework to the water sector in general and HWC in particular. Historically, the CCAG has probably operated at the level of 'inform'. The current Lower Hunter Water Plan operated at 'consult/involve'. Yarra Valley Water conducted a citizen's jury in 2017 to inform their price path submission – this is an example of 'empower'.

### IAP2'S PUBLIC PARTICIPATION SPECTRUM



The IAP2 Federation has developed the Spectrum to help groups define the public's role in any public participation process. The IAP2 Spectrum is quickly becoming an international standard.

		INCREASING IMPACT ON THE DECISION 				
		INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
PUBLIC PARTICIPATION GOAL	PUBLIC PARTICIPATION GOAL	To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision making in the hands of the public.
	PROMISE TO THE PUBLIC	We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.

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## **APPENDIX B: HUNTER WATER RESPONSE TO RECOMMENDATIONS OF CUSTOMER AND COMMUNITY ADVISORY GROUP STRATEGY SESSION**

## Hunter Water response to recommendations of CCAG Strategy Session held in February 2018

Reference	Recommended Action from Strategy Session	Hunter Water's response	Proposed timeframe
<b>1 MEMBERSHIP</b>			
1.1	Continue diversity /disparate group of members	Support – Hunter Water will continue efforts to increase diversity of Group	Short to Medium Term
1.2	Broaden membership (eg industry rep. youth rep. local, state government) to be representative of HWC constituents	Support – Hunter Water will seek to increase Group membership, including by targeting: <ul style="list-style-type: none"> <li>• Aboriginal and Torres Strait Island representative</li> <li>• Customers who experience a disability</li> <li>• Young people</li> <li>• Pensioners</li> <li>• State planning representative</li> <li>• Representatives from Maitland City Council (noting that all other LGAs are currently represented)</li> </ul>	Short to medium term
1.3	Enact term limits for members	Support – the Group's Charter already imposes a two year term limit, however historically membership have been renewed.  Proposal to increase term to four years, with maximum service of two terms per representative.	Medium term – to be included in updated Group Charter, to be presented to Group for endorsement before the end of 2018.
1.4	Induct new members with orientation / position descriptions	Support – an orientation programme will be developed to support new members commencing following implementation of 1.2	Medium term

Reference	Recommended Action from Strategy Session	Hunter Water's response	Proposed timeframe
1.5	Ensure responsibility / KPI to engage with and be representative within the CCAG of broader constituency and report to CCAG and HWC	Support – to be included in updated Group charter	Medium term.
1.6	Establish sub-committees on various subjects / regions (eg community, infrastructure, storage and management)	Support in principle – Hunter Water proposes to increase meeting frequency. The increased regularity of meetings may address this requirement	Long term
<b>2 MEETINGS</b>			
2.1	Meet more regularly (various time frames – bi-monthly/quarterly) suggested but definitely more often!)	Support – Hunter Water proposes to increase frequency to at least quarterly.	Short term
2.2	Change chairing protocols	Not supported at this stage – the role of meeting Chair was modified at the February 2017 meeting of the Group to rotate between members. In the past Hunter Water's Managing Director always chaired meetings.  An independent Chair helps to ensure that the Group is a genuine 2-way conversation	Review in 12 months.

<b>Reference</b>	<b>Recommended Action from Strategy Session</b>	<b>Hunter Water's response</b>	<b>Proposed timeframe</b>
2.3	Revise meeting agendas – split between strategic, operational and responsive to issues	Support – this practice has been implemented since October 2017, and more prominence will be placed on separation of strategic and operational issues on the agenda	Short term
2.4	Change way in which agenda is set/sent (CCAG member input to agenda)	Support – Hunter Water is building a new online portal (Engagement HQ) for use by the Group's members. Members will have the opportunity to add topics and review agenda documentation via the online portal.	Short term – new online portal to be launched in March 2018.
2.5	Change format of meetings – mix between presentations, reporting, Q&A	Support – this will be an iterative process, and require feedback from members	Short to medium term
2.6	Engage virtually as a group between meetings and with HW	Support – Consistent with recommendation 2.4, Hunter Water is building an online portal to allow this to occur	Short
2.7	Meetings as field visits	Support – with target to hold at least 2 field visits annually for Group members. To be included as part of the induction programme from Recommendation 1.4	Medium term
2.8	CCAG members to have input into agenda	Support – Under current processes, group members are currently emailed at least one week prior to agenda documentation being distributed requesting feedback and additions. It is proposed that this process moves to the online portal (Engagement HQ).	Short term

Reference	Recommended Action from Strategy Session	Hunter Water's response	Proposed timeframe
2.9	Ensure engagement of HWC CEO and senior leadership	Support – Hunter Water's Managing Director and senior leadership will continue to attend and have involvement in the Group	Short term
2.10	Include informal interactions in meeting (ie start with lunch)	Support in principle – further time will be set aside on the agenda for informal discussion and Q&A. This will include meals at meetings.  Implementation of this action will be iterative, and require ongoing support from Group members.	Short term.
<b>3 ROLE OF CCAG IN COMMUNITY ENGAGEMENT</b>			
3.1	Utilise the CCAG for HWC to engage with broader community	Standing agenda item at each meeting to update the CCAG on engagement activities across Hunter Water	Short term
3.2	CCAG can be champion HWC initiatives in the case that it is briefed about projects and initiatives in the community	Hunter Water will provide briefings on key projects to help the CCAG members advocate on our behalf	Short term
3.4	Engage with CCAG on strategic and operational issues	Support – see Recommendation 2.3	Short term
<b>4 ENGAGEMENT WITH HUNTER WATER</b>			
4.1	Continue engagement of senior staff	Support – see Recommendation 2.9	Short term



Reference	Recommended Action from Strategy Session	Hunter Water's response	Proposed timeframe
4.2	Broader set of HWC to engage with and utilise the CCAG for community engagement	Support – increased meeting frequency will increase diversity of topics discussed at Group	Medium term
4.3	Move from 'informing' to 'collaborative' practice	Support – this is Hunter Water's ultimate wish for the Group, however this will be an iterative process.  To measure achievement it is proposed that review sessions be held annually with the Group to track progress.	Medium to Long Term
4.3	Ensure accountability and responsiveness – communication feedback between the CCAG HW (to what extent recommendations from CCAG actioned/why/how)	Support – the online portal will assist in mapping and tracking actions.	Medium term
4.5	Encourage social and informal interactions between the CCAG and HW	Support – Hunter Water included Group members in key events (such as 125 year celebrations). It is proposed that this practice continue.	Medium term