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Hunter Water Pricing Review

IPART

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“Hunter Water price setting”

I would like to point out that there are seven major groups of households.

They are:-

- Owner occupiers
- Tenants in private rental properties
- Tenants in public rental properties
- Occupiers of other accommodation
- Granny flats
- Van villages
- Boarders

There are also several styles of property structures including:-

- Standalone Houses
- Villas
- Units
- Rural Allotments

The current charging arrangements are grossly unfair as the structure fails to recognise six of the seven types of common occupancy as these groups do not pay Hunter Water for the supply of water, sewage or drainage. They also do not contribute towards “environmental improvement”.

Hunter Water in its pricing submission failed to address these needs and in particular has not:-

- Provided for metering on water to each household with commonly only one meter per allotment.
- Provided meters for sewage and drainage discharge.
- Provided recycled water to most households.
- Provided non potable water to households.

Hunter Water also has not considered other laws and regulations that exist in the community. For example residential tenants are not permitted to be charged for any item on Hunter Waters bill other than water use.(and then only under limited circumstances).

Tenants and non property owners are not permitted to hold the standard Hunter Water Customer Contracts. Without a Customer Contract Hunter Water is unable to issue accounts for water use, sewage or drainage.

Hunter Water has failed to establish service delivery and charging arrangements for those parties who do not satisfy the standard Customer Contract provisions.

The IPART examination of the issue of “Customer Contracts” was flawed due largely to ignorance about the subject within the community and needs to be revisited as a matter of urgency.

The Hunter Water Act has provision for changes to the standard Customer Contract These provisions include:-

- Hunter Water can have Customer Contracts with other parties by agreement (Section 37 Hunter Water Act 1991)
- Hunter Water can vary Customer Contracts (Section 38 Hunter Water Act 1991)

Tenants of private rental properties may be required to reimburse the landlord for water use provided the landlord has complied with the requirements of the Residential Tenancies Act and supporting Regulations. A key factor is that the service provided to the tenant by the landlord is individually metered and complies with energy efficiency standards. Hunter Water only services one meter per property.

Tenants of public housing have to reimburse the Housing Authority of water use on an estimated basis if the authority chooses. It seems that they do not have to comply with water efficiency standards. Housing tenants do not pay any of the other charges on the normal residential account issued by Hunter Water.

Van and mobile home dwellers are not billed by Hunter Water and normally pay in accordance with the site manager's terms.

Occupiers of other accommodation frequently make no contribution for the water used due largely to the significant difficulties the property owner encounters in rebilling and getting the money from the end users.

In the case of sewage and storm water charges (and any other levies) tenants pay absolutely nothing for this essential service.
The suggestion that tenants pay water and sewage charges as "part of their rent" cannot be supported. For example there is no evidence to suggest that rents vary according to the tenants obligations in relation to water use or other charges listed on the Hunter Water Account.

The Residential Tenancies Act also makes it unlawful for the Landlord to pass on to the tenant rises in taxes and levies.

Whilst it is true that the tenants rent takes into account the landlords overheads it must be remembered that this can only be done at the commencement of the lease. Charges for consumable like water sewer and drainage are overheads as the volume used is determined by the tenant.

Where landlords forced by Hunter Water to collect water usage monies from tenants the financial hardship assistance measures offered by Hunter Water do not apply to either the owner or the tenant. Nor do the pensioner rebates.

There is no commission (discount or other remuneration) paid to the landlord for the services provided in water billing. There is no acknowledgement by Hunter Water that the financial risks associated with debt collection, bad debts and collection costs are totally born by the Landlord. This is totally unreasonable and needs IPART intervention.

IPART needs to note that where the collection of water use charges are handled on behalf of a Landlord by an agent the agent charges fees and debt collection costs for the service. To compound the issue Hunter Water will not limit the flow of water to the property occupied by the tenant however is keen to restrict the flow of water to the landlords own residence.

It is totally unreasonable for IPART to allow Hunter Water to act in this manner.

The setting of water, sewer and drainage charges by Hunter Water is clearly grossly unfair on landlords and positively discriminates jointly and severally between property owners, landlords, tenants and occupants.

There is no financial incentive for reducing water, sewage and drainage volumes where parties do not contribute to the cost of providing the service.

IPART needs to be aware that a huge number of water users have accounts with very low water use and these users heavily subsidise the wasteful customers.

Following is an example where if the household stopped using water completely their maximum saving would only be $11.42.

PREV BAL	RECEIVED	BALANCE
$242.37	$242.37 CR	$0.00

SUMMARY OF NEW CHARGES

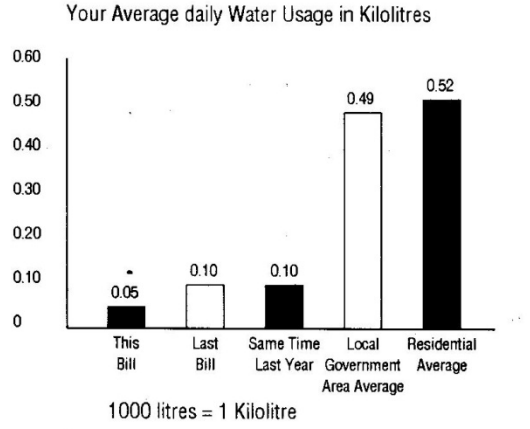
Water Service	$6.38
Sewer Service	$187.11
Drainage	$29.12
Environment Improvement	$12.09
Water Usage	$11.42

ADJUSTMENTS OR CREDITS

Other	$1.35
Total Due	**$247.47**

Please pay your account by the due date to avoid interest charges

Land Title Owner -



Meter Type	Meter No	Size	SDF	Date Read	Reading	Usage kL	Days	Daily Avg kL
Water		020	50%	03 07 2012	1448	6	124	0.05

It is also understood that Hunter Water does not charge all users equally.

If unequal pricing is to be practiced then IPART should in an open and transparent manner determine the price of water, sewage, drainage and services for ALL clients including water transfers to Gosford Wyong. The cost of producing a kL of water to Hunter Water is identical no matter who the end user is.

It would seem reasonable to me that IPART should send Hunter Water “back to the drawing board” as all of the factors raised above were known to Hunter Water at the time they prepared the submission.

The second aspect of major concern to me and I believe the community served by Hunter Water is the issue of the impact of the pricing structure on the environment and the water conservation strategies.

In simple terms if a person makes no contribution to the cost of the water they consume, the sewage they create and the drainage they require then they will not act as responsibly in the handling of the product as a person who pays.

This has major implication for water conservation, the material placed down the sewer and a host of other government initiatives and program outcomes.

Inflating the demand by having considerable non paying users for Hunter Waters’ services also increases the need for water storages, treatment plants and other infrastructure both in terms of capital and operating costs.

Likewise the practice of producing and distributing potable quality water supplies to be used for purposes that do not require potable water such as coal dust suppression, car washing, flushing toilets and for making concrete is grossly wasteful and incurs the end user in an unnecessary expense.

The pressure from within Hunter Water to increase water supply capability is very unhealthy and fosters its empire building desire.

I and I am sure the community believe that the price structure should be based on meter readings for water, sewage and drainage.

Meters are now very cheap and reliable.

There should be no fixed charges of any type included on the customers' periodic bills.

All occupancies should have individual meters with sewage discharge, drainage and water consumption being measured.

Modern technology is capable of wirelessly providing this facility very cheaply to a central control room.

The cost of the meter should be Hunter Waters' responsibility. When you buy petrol from a service station you do not take your own meter with you.

A 100% user pays pricing strategy rewards those that actively try to conserve water and encourages investment in water saving devices. Those that waste water and or wish to use water hungry items (like pools and 20 minute showers) clearly will pay more.

For industry a 100% user price based on the full water cost value will expedite investment in water saving technology and processes.

A 100% user pays water pricing strategy would help boost the "smart city" concept and drive invention.

A 100% user pays water pricing strategy will also drive competition in water delivery.

The small cost of the additional meters could be recovered in efficiency gains due to the technological benefits of digital meters as replacements to mechanical meters. There would be no need for meter readers and billing could be far more frequent (even monthly or weekly)

A 100% user pays policy coupled with electronic metering would allow “pre paid” billing.

The Hunter Water pricing proposal has not provided an option for user pays pricing for IPART to consider.

Where multi occupancy residential buildings has common property then the land owner should be billed for the common property water, sewage and drainage usage.

Hunter Water should be responsible for all costs associated for installation and maintenance to the meters. The fees included in the proposed charges in this review needs to reflect this.

It is currently the property owner’s responsibility to arrange the plumbing from the metering point. This arrangement should continue. Where a property has multi residences such as an apartment block the owner’s plumber should provide metering points for each household.

The construction of large residential buildings is a major opportunity for Hunter Water to require owners to equip the new buildings on meters for every unit basis especially where the unit is a Strata block.

In the transition phase of upgrading a households metering arrangements at the property owners request should require the applicant to lodge a request to have the metering adjusted. An application fee of $50 should apply. This fee should be incorporated in the fees and charges.

All new properties applying for connection would have to be presented in a complying state to the agreed metering point just as the current rules are. The complying state would require individual metering for each household for water sewer and drainage.

Where Hunter Water elects to change a property to the new system there would be no fee charged.

There are major advantages of a user pays system with individual metering to each and every household.

These advantages include:-

- Total fairness to all water consumers.
- Every household pays for what it uses and discharges
- There are very positive water conservation messages
- The need for wasteful capital expenditure is reduced

- The scarce resource of water is greatly extended
- The environmental impacts of discharge and drainage is reduced
- Households have a financial incentive to invest in water saving strategies and products.
- It positively enforces to each household and its members the need to respect the environment.
- The need for rebates (eg water tanks) and giveaways (eg shower heads) would be eliminated.

Households when purchasing and operating a car consider fuel efficiency, fuel type, price of fuel etc along with the ability to meet their needs. Having made the choice they are 100% financially responsible for their decision. Car makers, sale yards and fuel suppliers live comfortably with this 100% user pays arrangement. Why should water, sewage and drainage not be the same?

The weak link in the conservation and environmentally responsible strategy is the fixed charges for water sewer and drainage use.

IPART could address this by rejecting Hunter Water's price proposal and instructing them to use the identified revenue pool (generated from customer bills) for services on a 100% user pays basis with each charging unit being of equal value for all users.

The third issue I wish to raise is the need for Hunter Water to act responsibly.

Costs can be cut when carrying out works and whilst this can be positive it is only positive where result of works is of an appropriate standard.

May I illustrate my point by drawing to the Tribunal Hunter Water's care and maintenance of Throsby Creek.

Throsby is a major drainage catchment with the final section being a tidal section leading into Newcastle Harbour.

The creek had a very negative history of pollution and flooding. Work commenced in 1925 with an 18,000 pound grant to build a concrete drain. In 1931 the Throsby Creek Stormwater Drainage Act was assented to by State Parliament and this included an allocation of 650,000 pounds. Due to the depression and the need to create meaningful work stone pavers were laid in place of concrete as the paver method had a higher labour content. The Throsby Creek Drainage scheme with a value of 739,000 pounds became the sole responsibility of Hunter Water in 1936.

In 1938 the Hunter District Water Supply and Drainage Act granted autonomy to the Board.

Since that time Hunter Water has largely neglected to care for that critical infrastructure and has failed to carry out the required maintenance dredging, has allowed vegetation to grow and failed to adequately prevent litter and debris from entering the system.

In recent years Hunter Water has spent some relatively minor funds on bank works. These works have not be carried out in a responsible manner as they have not controlled the vegetation (which continues to break up the concrete and stonework). The new works dumped rocks along the banks to replace damaged sections of pavers. These rocks have removed the self cleaning characteristics of the smooth sided drain and now made it into a rubbish trap to host litter, vermin such as rats, mosquitoes and to encourage the drain to silt up thus reducing it designed capacity.

The shabby works have also totally destroyed an item of major historical significance.

It should be noted that some of the works is already being dislodged.

When carrying out this work Hunter Water have failed to reduce the increased flood risk (due to allowing additional drainage upstream into the drain, failure to consider Newcastle Council's flood management strategy and the predictions of climate change) or to preserve history.

Photographic evidence and supporting documentation is available on request.

Whilst to do the works in a "workman like manner" the cost would have been greater the quality of the infrastructure management would have been greatly superior, have a lower operational cost and a far longer life.

The reporting process to IPART does not seem to indicate the quality of the works undertaken.

The proposed works in the Hunter Water Submission include addressing water leaks and additional infrastructure to cope with future demands.

Water leaks are a product of lack of long term maintenance. The water leaks must be a key priority and Hunter Water should be a leader at minimising loss. It is also noted that the sewage pipe maintenance seems to have been reduced.

Forcing more water through the existing pipe network also stresses the network. Hunter Water does not seem to have a marketing and pricing strategy that reduces

water consumption and sewer needs. Currently the water usage is about 190 kL per household per day. This could be drastically reduced to less than 50kL per head per day with 100% user pays pricing and Customer Contracts for all households.

It is noted that the capital works funding makes very little headway with recycled water supplies, reuse strategies, water harvesting and minimising sewage and drainage treatment volumes.

The fourth issue IPART needs to note is that when Hunter Water has lost large customers it has not pruned the organisation proportionally. Following the closure of the aluminium smelter, the delay of major projects, the abandoning of Tillegra Dam and various sales there is little evidence of staff reductions. The sale of the Hunter Water building and the sale of their recycling system would not seem to be in the best interest of the Hunter Water customers.

Hunter Water has spent considerable funds on water marketing and media. The Love Water campaign used by Hunter Water to encourage water saving would seem to be modelled on the English Love Water program that is aimed at boosting water consumption.

Over the last pricing period there has been a number of suggestions to recycle and harvest water however all seem to be based on inventing new uses to waste water. For example the proposal to divert treated water to the Horse Race track and use it for the turf and for Newcastle parks and gardens is simply a waste, In days gone by the Newcastle parks and gardens were a picture due to upkeep and staff efforts. Just spraying water about is nothing but a waste.

Finally
The Hunter Water pricing submission seems to be a historic focused proposal and therefore not in keeping with the needs of the price path period and into the future. The proposed funds and pricings would seem to be the past figure plus some extra. This does not seem to take into account:-

- New technology trends
- New housing trends
- The increase in the proportion of tenants
- The stagnation of wages
- The drought impacts
- The need to expand water harvesting
- The need for an expansion of recycling
- The changing needs of Hunter Waters non-residential users
- Water saving strategies

- The need to reduce potable water consumption.

The introduction of water restrictions to Hunter Water clients would seem not to be in keeping with the water storage levels being about 65% of capacity or only about 15% lower than normal levels and that the winter rainfall for Newcastle was according to OEH above normal.

IPART should note that Grahamstown dam is basically a storage that gains water from other storages. I should also be noted that Grahamstown should be held at near full at all times by harvesting water that otherwise end up in the ocean. Hunter Water has made no effort to do this.

IPART needs to consider the rebate of about $100m (up from $35m in the last 7 years) paid by Hunter Water to the State Government. The pricing determination may be an appropriate time to signal that this tax on the Hunter is inappropriate and that these funds should be retained by Hunter Water to meet their pressing needs.

In conclusion this submission has tried to highlight that

- Hunter Waters expenditure is not always justified and or prudent
- Hunter Water is pre occupied with “empire building”
- Hunter Waters planning is based on supply capacity increased and gives little consideration to demand management
- The pricing structure is based on financial security for the organisation
- The ability of users to pay for their water, sewage and drainage would seem to be of little importance to Hunter Water.
- The use of fixed charges is not only unfair and very discriminatory but sends the wrong conservation / environmental signal to water users.
- All users should pay the same rate per unit as the product is identical.
- Individual meters are fundamental to a realistic pricing structure
- Competition in water sales to consumers will be stimulated.

As a product of raising the issues the writer believes that IPART should be convinced that the fixed charge inequitable proposal presented be rejected and that pricing for the next period needs to be 100% user pays with the same unit price payable by every user for water, sewage and drainage.

I request the opportunity to make an oral presentation at the public meeting.

Rick Banyard,

IPART Submission Points in dot point form.

WATER TYPES

Potable Water

- Potable water is the water from the treatment plant that comes from our taps
- Most water is wasted and just runs out to sea. As much as 80% is wasted
- Potable water is used to supress dust, water gardens and parkland, toilets, car washing
-

Recycled Water

- Water that is sourced from waste water and sewers that is retreated and distributed to a small group of users as a second water supply (in purple taps).
- Orica is the only sizable user of recycled water.
- Hunter Water sold their recycled water treatment plant at Mayfield West.
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Reuse Water

- The use of water for a second time
- Washing machine water for gardens
- Run off water from coal terminal plants collected and used by the owner for dust suppression etc.
- Hunter water has no water reuse activities
- There is no price for reuse water.
-

Other Water Sources

- Water collected from street run off etc pumped back to main storage facilities during flood times
- Water produced from industrial de watering activities
-

WATER STORAGE

- Chichester is the main storage dam with a large catchment
- Grahamstown is a large reservoir that has a very small catchment. Most water comes from the Williams River and is costly to pump into Grahamstown.
- Sandbeds contain considerable water but needs expensive pumping. PEFAS is a potential issue.
- Water is transferred from Hunter to Central Coast via pipeline at considerable cost with very little reverse flow.
- Water is pumped to distribution reservoirs such as Charlestown.

Water storage levels - last updated 14 October 2019

Water Source	Maximum Capacity (ML)	Current Volume (ML)	% Full	10 year average total storage
Chichester	18,356	11,490	62.6%	16,667
Grahamstown	182,305	115,647	63.4%	157,646
Tomago	60,000	39,357	72.9%	49,644
Anna Bay	16,024	8,620	53.8%	10,583
Total Storage	276,685	175,114	64.7%	234,540

WATER CONSUMPTION

Household

- Australia has the second highest water consumption in the World
- Australia is the second driest continent
- Hunter Water users use 191 litres per day per head
- Households could reduce water consumption to 50 litres per day per head
- Very few households have recycled water
- Pay full price and receive no discounts
- Subject to water restrictions
-

Industry and Government properties

- Industry only has a few major users
- Industry and large consumers buy water at discounted rates
- Use the sewer and drainage system to get rid of industrial waste.
-

HUNTER WATER

Supplies

- Supplies metered water of which nearly all is potable at a cost per litre
- Supplies very little recycled water
- Supplies almost no metered non potable water
- Supplies un metered sewage disposal for a fixed fee
- Supplies un metered drainage in a limited capacity for a fixed fee

Hunter Water Accounts

- Hunter water issues a bill that is commonly called a “water bill”
- The “water bill” should be renamed “Hydraulic Services”
    - The bill covers
        - Water Services fixed charge
        - Sewer Services fixed charge
        - Drainage fixed charge
        - Environmental Improvement fixed charge
        - Water usage based on a meter reading
        - Other fee for service

    - The bill provides Pensioner Rebates
        - Tenants do not get a rebate
        - Only Customer Contract holders get Pensioner Rebates

Customer Contracts

- A “Customer Contract” is the formal agreement that covers the supply of “hydraulic services” provided to the legal owner of the property.
- Tenants CAN NOT hold a Customer Contract under the current arrangements.
- Under some circumstances Landlords can pass on the “Water Use” component of the bill to the tenant.
    - This must be detailed in the Tenancy Agreement
    - The fixed charges for water, sewage and drainage CANNOT under the RTA be passed on by the landlord property owner to the tenant or to sub tenants.
    - Hunter Water does not consider Landlords to be resellers of water and as such does not provide a discount to the landlords.
    - The landlord has to pay the costs of collection the water use money from the tenant. This cost includes:-
        - Debt collection costs.
        - Commission paid the Property Managers.
        - Makes the Landlord responsible for the tenants debt and default to the point where the Landlord can have their water service restricted whilst the tenants supply is unhindered.

- Social Housing, Industrial and commercial tenants have rules and regulations that differ from private residential tenants.
- The Customer Contracts used by Hunter Water are highly discriminatory and certainly not a fair and reasonable form of commercial transaction between a supplier and a consumer.
- The Customer Contract is set out in Hunter Water Operating Licence
- The owner of the land has the Customer Contract for water and or sewage (Section 36 Hunter Water Act 1991)

- Hunter Water can have Customer Contracts with other parties by agreement (Section 37 Hunter Water Act 1991)
- Hunter Water can vary Customer Contracts (Section 38 Hunter Water Act 1991)
- Hunter Water has failed to take steps to modify the Customer Contract to enable tenants to have Customer Contracts.
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User Pays principles

- User pays is the process where a consumer pay the cost of the goods and or services transacted by unit of measurement. Petrol is a very simple example where user pays applies. Bottler water is another example.
- Hunter Water in the past has had bills that had a very high percentage of user pays. This is no longer the case.
- Most wholesale water is purchased / sold at a $ per kL basis
- User pays requires the measurement of water, sewage and drainage. The best unit of measurement is by meter.
- Meters with remote read out are now very cheap and cost as low as $10 each. (given the low price of water per unit there is no need for a high level of accuracy) www.made-in-china.com/products-search/hot-china-products/Plastic_Water_Meter.html
-

100% user pays

- The purchase of all Water, Sewer and Drainage should be charged to households at a cost per Kilolitre basis with no fixed charges.
- 100% user pays is a major drought strategy as it is the best incentive to reduce waste.
- 100% user pays is a great incentive to establish viable methods and strategies based on the unit price of a product.
- 100% user pays rewards consumers for adopting efficiency in use.
- 100% user pays allows users to transfer funds saved into more efficient products.
- 100% user pays greatly simplifies billing, reduces billing costs, can be done remotely and allows very flexible meter reading timing. It also allows pre pay.
- Will greatly reduce water bills for those prepared to reduce their waste volumes.
-

ENVIRONMENTAL ISSUES WITH HUNTER WATER

- leakage

    - Water leaks waste water
    - Water leaks cause structural damage
    - Damages roadways
    - Causes erosion
    - Breaches the Environment Protection Licence
    - Loses revenue
    -
- Losses from evaporation
    - Water stored in open storages evaporates. Most of Hunter Waters area has an evaporation rate of about 800mm per annum.
    -
- Excessive water treatment
    - Water and Sewage treatment is expensive.
    - Treating material beyond its needs is wasteful and forces consumer prices up.
    - Chemicals used for treatment cause environmental issues.
    -
- The Use of potable water for non potable functions is a total waste
    - It is irresponsible on Hunter Waters behalf to force end users to use potable water to supress dust, for cleaning, for parks and gardens etc.
-