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3rd March 2017

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Re Hunter Water Licence Review.

I write on behalf of the Property Owners Association NSW as a follow up to my input at the Public Hearing of the Hunter Water Operating Licence End of Term Review held on the 21st February in Newcastle.

I wish to formally thank IPART for conducting the hearing in Newcastle.

At the Newcastle hearing last week there was considerable reference to the Customer Contract including the proposal by Hunter Water to make some changes.

The Customer Contract problem has existed for well over 10 years and the POA believes that the situation of discriminating between types of water users can not be allowed to continue.

The POA notes Hunter Water's current Operating Licence will expire on 30 June 2016 and that The Tribunal is required to review the Operating Licence and recommend to the Minister responsible the terms of an amended or new Operating Licence, effective from 1 July 2017.

The POA wishes to make the following points for consideration and appropriate action.

Definition of terms.

Section 6 Customer and Stakeholder Relations has failed to adequately define the terms “Customer”, “Consumer” and “User”.

The definitions of the terms “Customer”, “User” and “Consumer” are very vague and not adequately defined:-

Consumer Any person who uses Hunter Water’s water, sewerage or drainage services, whether or not they are a customer.

Customer Any person who is an owner of property within Hunter Water’s area of operations that is connected to a water main or sewer main owned by the Corporation.

User Any person who make use of Hunter Waters products or services

From the POA’s understanding the following are the definitions.

General definition

Customer one who purchases goods or services from another

Water definition

Customer A property owner who purchases water directly from a water authority under a contract to purchase water, sewer and drainage

General definition

Consumer one who expends or uses up a commodity from another. (opposed to a producer)

Water definition

Consumer one who expends or uses up water from a water authority supplied under a contract to purchase water.

General definition

User one who places into service a commodity.

Water definition

User one who places into service water supplied under a customer contract.

General definition

Water User

one who places into service a commodity namely water.

Water definition

Water User one who is authorised to place into service water supplied under a customer contract or water use agreement

General definition

Customer Contract one who purchases goods from another under a legal agreement that defines the conditions and remuneration

Water definition

Customer Contract A formal agreement between a water authority and the owner of a property covering the supply of water (and sewage) services

The POA does not believe Hunter Water's definitions in section 6 are valid. For example if 100 people jointly own a block of land surely each person cannot be a customer. Surely a consumer must be a customer as the transaction is selling water to users under contract for a financial consideration.

The new licence must clearly define the terms.

In the context of water sewer and drainage the terms used by the Water Authorities and IPART and others must surely be consistent with the definitions.

It is noted that:-

1. Hunter Water operates no standard contracts.
2. Hunter Water deals with consumers that do not hold customer contract. They have no authority to do this.
3. Rebates and other considerations are provided to non-contracted consumers and users.

Hunter Water makes no explanation why the non standard contract provision is not currently used to supply water, sewer and drainage to consumers including tenants and multi occupancy residents.

The new licence to operate from July 1 must require that all residential households be supplied with a contractual agreement and with an individually metered supply.

Credit Management

Hunter Water claims "From a whole-of-community, as well as a responsible debt management, perspective, it is important that customers are encouraged to pay their accounts on time. For this reason, Hunter Water believes that it should maintain the right to charge interest on overdue accounts, and as a final resort, to restrict or disconnect the property."

The POA considers this is outlandish for a host of reasons.

- For an estimated 50% of households Hunter Water accepts no responsibility for the collection of water sewer and drainage charges.

- For 50% of households Hunter Water makes no provision for payment methods, hardship or other steps to assist with water sewer and drainage accounts.
- Hunter Water wants the right to charge interest on overdue accounts however there is no mechanism for passing that interest on to Landlords where tenants fail to pay for water use on time.
- Hunter Water will not assist Landlords in restricting water supply to tenants where the tenants have failed to meet their obligations to pay for water use.
- Hunter Water provides no discount, agency fee or other amount to Landlords for the collection of water costs from 35% of households occupied by tenants.

The new licence from July 1 must require all households be supplied with an agreement and individually metered supply thereby allowing uniform credit management.

Customer Contract Changes

The POA supports the need for a new Customer Contract.

The Customer Contract should be a similar format to the provision of gas, electricity and phone services. That is the contract should be between the water, sewer and drainage supplier and the household or user.

The POA believes a new Customer Contracts as outlined above should be a condition of the new licence from July 1 2017

Consultative Forum

It is proposed that this forum be renamed to the Customer Advisory Group (section 6.4) however the majority of members are not customers but consumers.

This is another example of the confusion of terms.

The new licence must require the forum to be made up of those holding Customer Contracts if the name is the intent.

Water Consumption target.

It is the POA's understanding that water consumption is calculated by dividing customer consumption by the number of customers. This figure is therefore false as the consumption should be divided by the households supplied.

The consumption per head of population may be a far better measure.

The new licence should include a figure that reflects the true position.

Water Meters

The submission by Hunter Water contains no information about the number of meters in use.

It is believed that there are a considerable number of customers without meters.

It is also believed that as many as 50% of households do not have individually measured water supplies.

Whilst the lack of water meters is of concern the serviceability of the meters in question is also in question. Hunter Water has no routine checking procedure to assessing the accuracy of its meters. If a customer considers the meter to make false readings the customer can pay to have it tested! If a tenant is concerned about the meters accuracy does the Landlord then have to pay?

Given that the sale of water is geared to selling measured quantities of water it is surely reasonable that the meters are assessed for accuracy and function.

The issue of a new licence from July 1 2017 should be conditional on providing meters to all households AND a procedure for testing the installed meters.

Water use assessment

When a water meter fails or is found to be inaccurate Hunter Water uses a procedure of assessing water on past usage. It does not take into account changed circumstances. The changed use could be due to a tenant or ownership change.

By way of example a POA members meter was found to be inoperative. A new single person occupant was assessed as having the same consumption as a family of seven who previously occupied the house.

The issue of a new licence from July 1 2017 needs to incorporate revised procedures

Water Conservation and Saving.

The Hunter Water “empire” is based on selling as much water as possible. Water conservation measures are therefore not in the best interest of Hunter Water.

When the part user pays system was first introduced water consumption fell by about 30%. The introduction of water restrictions in Sydney and parts of the Hunter has made water users more careful with water waste. This has again reduced water sales.

A condition of the new licence must include the introduction of a 100% user pays system.

Conclusion

The POA can see little justification to allow Hunter Water and the other Water Authorities not to accept full responsibility for the supply of water to households and for that provision to be a condition of their licence.

A tenant's lease is an assignment of the property to a non-property owner for a specified time under well-defined conditions.

The Customer Contract should provide for tenants accepting full responsibility for water, sewer and drainage.

Rick Banyard
For the POAnsw.

