



# **Hunter Water Submission to IPART's Issues Paper**

## **REVIEW OF THE HUNTER WATER CORPORATION OPERATING LICENCE**

**15 July 2016**



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Hunter Water Corporation  
Submission to IPART on Review of the Hunter Water Corporation Operating Licence

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## EXECUTIVE SUMMARY

Hunter Water welcomes the opportunity to comment on the questions and matters raised in IPART's Issues Paper for the review of the Hunter Water Corporation Operating Licence. This submission sets out how Hunter Water has performed in satisfying the requirements of the 2012-2017 Operating Licence and proposes a number of amendments to the next licence.

Hunter Water is committed to delivering safe, reliable and efficient water and wastewater services to the community of the Lower Hunter region. The operating licence is the key regulatory instrument that enables and requires Hunter Water to lawfully provide these services within its area of operations. Compliance with regulatory obligations is a key focus of Hunter Water's operations. Hunter Water's commitment is evidenced by compliance with all requirements across the licence term and audit results that have been improving each year.

Hunter Water does not see a need for substantial change to the current licence requirements. The proposed changes detailed in this submission are targeted at incremental improvements and the streamlining of existing licence requirements and reporting obligations. Hunter Water has proposed a number of changes that are consistent with the preliminary position outlined in IPART's Issues Paper and recent improvements to Sydney Water's Operating Licence.

Hunter Water has put forward preliminary views and positions in this submission. Hunter Water looks forward to the opportunity to learn from the submissions made by stakeholders and customers to this IPART review. Hunter Water appreciates that this is an early stage in an IPART review that runs until April 2017. Hunter Water intends to work closely with IPART in providing information to support a cost-benefit study and responding to IPART's draft licence package recommendations.

### Management systems approach

Hunter Water supported the move from prescriptive requirements in the 2007-2012 Operating Licence towards the management systems approach adopted by IPART for the 2012-2017 licence. Hunter Water considers that this approach has worked well and endorses IPART's preliminary view of completing the transition to a fully systems-based approach in the next licence. The final stage is the addition of a requirement for an asset management system certified as consistent with ISO 55001. Hunter Water proposes retaining the certification requirement for the environment and quality management systems.

### Water quality

The current regulatory and governance arrangements for management of drinking water quality and recycled water quality are working well. Hunter Water applies a multiple barrier approach to managing its water systems, consistent with the frameworks set out in the Australian Drinking Water Guidelines and the Australian Guidelines for Water Recycling. It values the roles of both IPART and NSW Health in the provision of consistently high quality drinking water. The current arrangements are not duplicative and should be retaining in the upcoming licence.

### Economic Level of Water Conservation

Hunter Water offers its support for the Economic Level of Water Conservation (ELWC) concept. Hunter Water accepts that the development of an ELWC methodology would provide an agreed and approved framework for considering all relevant costs and benefits associated with a range of water conservation activities. This approach encourages transparency around water conservation and planning activities and allows the utility to determine the most efficient mix of water conservation projects, programs and initiatives. Hunter Water is familiar with IPART's approach to the Economic Level of Leakage, and understands how this framework could be extended and applied more generally.

Hunter Water's current Water Conservation Target of 215 kilolitres per residential property per year is a prescriptive limit linked to historical water consumption in the Lower Hunter. The target has no practical relevance in current operating circumstances.

Hunter Water would appreciate the opportunity to work with IPART on the details of the reporting requirements for water conservation. Hunter Water would look to learn from the Sydney Water and IPART experience with the ELWC requirements. Hunter Water anticipates that the principles and approach would be tailored to Hunter Water's operating environment, taking into account the size of the business, the scope for potential water conservation activities, stakeholder engagement processes, and the resourcing costs associated with new requirements.



## System performance standards

Hunter Water has performed well against the thresholds set by IPART for unplanned water interruptions, low water pressure and wastewater overflows over the current term of the operating licence. Hunter Water has not proposed any changes to the current standards or target levels. Hunter Water controls some, but not all, of the factors that influence service performance levels. Weather conditions, particularly hot and dry periods, are the major driver of year-to-year variability in performance outcomes.

Hunter Water is mindful that a property count above the target level for any of the performance standards would represent a breach of the operating licence. Hunter Water puts forward a number of reasons for retaining the current standards and target levels:

- Hunter Water proposed substantial cuts to its capital expenditure program in 2013, reducing spending on new capital works and maintenance programs. Hunter Water anticipates that service performance will decline through time, eroding some of the 'headroom' in existing standards.
- Hunter Water's 2015 price submission assumed that IPART would retain the current performance standards. IPART's 2016 Determination resulted in a six per cent cut to the proposed capital program over the four-year period to 2020. A tightening of target levels may necessitate additional or earlier capital works.
- The targets levels naturally tighten each year as the number of connections and overall water consumption increase.

Hunter Water's earlier customer engagement work shows that most customers consider that Hunter Water provides acceptable service levels. A majority of customers did not support spending less on infrastructure to make bills more affordable if it resulted in a deterioration in service performance.

## Customer contract

The operating licence includes a customer contract that clarifies the relationship between Hunter Water, its customers and consumers. The contract provides clarity on the rights and obligations of each party, describes the services provided, payment terms and assistance options for customers experiencing financial hardship, and information on enquiries, complaints and disputes.

IPART's operating licence review provides an opportunity to reflect on the effectiveness of the customer contract over its current five year term and to propose improvements. This includes drafting changes that would a degree of flexibility over the next five years as the operational environment changes.

Hunter Water has proposed a range of amendments to the current customer contract, including:

- a simpler structure and more logical sequencing of clauses,
- updated communication channels and methods for customers to obtain information,
- updated descriptions and diagrams showing connection standards, and
- drafting changes consistent with IPART's recent improvements to Sydney Water's customer contract.

Hunter Water has proposed changes to the design of the customer rebates that form part of the customer contract. The proposed changes would apply to the rebate for wastewater overflows and the rebate for low drinking water pressure. In both cases, Hunter Water is proposing that changes that better target the inconvenience caused to customers and improve equity for customers in like circumstances. Hunter Water expects an increase in the number and value of payments for both rebates.

## Alternative water and sewerage service providers

IPART raises a number of questions relating to the 'wholesale services' that Hunter Water supplies to 'wholesale customers'.

Hunter Water does not consider there is reasonable grounds for establishing a standard form customer contract covering wholesale customers. Hunter Water has negotiated a number of utility services agreements with WIC licensees. These are complex, tailored agreements designed to manage the relationship between two infrastructure providers.



The counterparties to these agreements have the resources, knowledge and expertise to negotiate and execute mutually agreeable contract arrangements.

IPART is currently undertaking a separate review of the 'wholesale prices' that Hunter Water and Sydney Water can charge for wholesale services. IPART released a Discussion Paper in April 2016 and plans to release a draft price determination in August 2016 and a final determination in December 2016. Hunter Water supports IPART's preliminary position favouring a retail-minus pricing approach, but notes that there is currently no certainty about legal definitions of wholesale customers or wholesale services, the preferred implementation model or likely timing.

Hunter Water does not have a firm view at this stage on whether IPART should include an operating licence requirement to oblige Hunter Water to connect wholesale customers. Hunter Water recognises that IPART would need to identify any shortcomings or gaps in the current regulatory framework to make the case that there are not adequate protections for wholesale customers seeking services from Hunter Water.

Hunter Water would welcome the opportunity to work with IPART on the best approach as it progresses Hunter Water's operating licence review and the wholesale price determination for Hunter Water and Sydney Water.

## Summary of issues raised by IPART and responses

| Issue number/s                   | IPART's issues   | Summary of Hunter Water's response   | Relevant section of this submission   |
|----------------------------------|--|--|---|
| <b>WATER QUALITY</b>             |  |  |   |
| 1                                | <ul style="list-style-type: none"> <li>Potential duplication with requirements of the <i>Public Health Act 2010</i></li> </ul>                         | <ul style="list-style-type: none"> <li>The potential for duplication is appropriately managed. Hunter Water supports retention of the current requirements.</li> </ul>                                     | Section 4.2 - Drinking water quality management   |
| 3                                | <ul style="list-style-type: none"> <li>Industrial use of recycled water</li> </ul>   | <ul style="list-style-type: none"> <li>Hunter Water's recycled water quality management system and contractual arrangements adequately address this risk.</li> </ul>                                       | Section 4.3 - Recycled water quality management   |
| 2, 24 - 25                       | <ul style="list-style-type: none"> <li>NSW Health's role in water quality management systems and audits</li> <li>MOU with NSW Health</li> </ul>        | <ul style="list-style-type: none"> <li>Current arrangements appear to be working well for both parties and should be retained.</li> </ul>  | Section 4.4 - Water quality governance  |
| <b>WATER QUANTITY</b>            |  |  |   |
| 4 - 6                            | <ul style="list-style-type: none"> <li>Economic Level of Water Conservation (ELWC)</li> </ul>  | <ul style="list-style-type: none"> <li>An ELWC requirement is supported, subject to appropriate time frames.</li> <li>Reporting against the Water Conservation Standard should be discontinued.</li> </ul> | Section 5.3 - The Economic Level of Water Conservation  |
| 7                                | <ul style="list-style-type: none"> <li>Lower Hunter Water Plan (LHWP)</li> </ul>   | <ul style="list-style-type: none"> <li>Retain the requirement for a roles and responsibilities protocol for the LHWP with non-prescriptive scope.</li> </ul>   | Section 5.7 - Water planning  |
| <b>ASSETS AND INFRASTRUCTURE</b> |  |  |   |
| 8 - 9                            | <ul style="list-style-type: none"> <li>The most appropriate asset management standard</li> <li>Certification of the asset management system</li> </ul> | <ul style="list-style-type: none"> <li>ISO 55001 represents best industry practice.</li> <li>Certification is a low incremental cost in the context of integrated quality management systems.</li> </ul>   | Section 6.1 - Introduction<br>The operating licence sets a benchmark for Hunter Water's asset management system, to ensure that assets continue to fulfil their intended functions. This section considers whether the benchmark should be updated, given |

| Issue number/s                 | IPART's issues   | Summary of Hunter Water's response  | Relevant section of this submission   |
|--------------------------------|--|---|---|
|                                |  |   | recent developments in the water industry. The operating licence also sets the service levels that customers can expect from Hunter Water and its assets. The section discusses key considerations in deciding whether the current system performance standards and thresholds should be maintained or changed. Asset management system |
| 10                             | <ul style="list-style-type: none"> <li>System performance standards</li> </ul>   | <ul style="list-style-type: none"> <li>Retain current standards and revisit at a future review.</li> </ul>  | Section 6.3 - System performance standards  |
| <b>CUSTOMERS AND CONSUMERS</b> |  |   |   |
| 16                             | <ul style="list-style-type: none"> <li>Factors relevant to consideration of changes to the customer contract</li> </ul>  | <ul style="list-style-type: none"> <li>Factors include ease of understanding, consistency across metropolitan water utilities where appropriate and incorporating feedback from customers.</li> </ul>   | Section 7.2 - Customer Contract<br>Appendix B – Proposed Customer Contract  |
| 11, 12, 14, 18                 | <ul style="list-style-type: none"> <li>Non-standard contracts</li> <li>Supply of unfiltered water</li> <li>Definitions of customers and consumers</li> <li>Different customer contracts for different customer groups</li> </ul> | <ul style="list-style-type: none"> <li>Obligations to service have been limited to customers with authorised connections because its obligations to non-standard customers are set out in separate agreements.</li> <li>The definitions of customer and consumer are appropriate.</li> <li>There is merit in having separate customer contracts for residential and non-residential (business) customers.</li> </ul>          | Section 7.3 - Customer contract coverage  |
| 17                             | <ul style="list-style-type: none"> <li>Variation of the customer contract</li> </ul>   | <ul style="list-style-type: none"> <li>It would be timely to consider alternatives that offer greater flexibility, as part of a broader legislative review.</li> </ul>  | Section 7.4 - Customer contract amendment process   |
| 13, 15                         | <ul style="list-style-type: none"> <li>Wholesale customers and services</li> </ul>   | <ul style="list-style-type: none"> <li>Wholesale customers should not be included in the standard form customer contract given the small number of these customers and the risk of confusion across the broader customer base.</li> <li>An obligation to service wholesale customers is a complex issue. Hunter Water's preliminary view is that it is not convinced of the need for intervention. However, Hunter</li> </ul> | Section 9 - <b>Error! Reference source not found.</b>   |

| Issue number/s                                      | IPART's issues  | Summary of Hunter Water's response   | Relevant section of this submission  |
|---|---|--|--------------------------------------|
| Water welcomes further discussion on this issue.    |   |  |                                      |
| <b>ENVIRONMENT, QUALITY, PERFORMANCE MONITORING</b> |   |  |                                      |
| 19  | <ul style="list-style-type: none"> <li>Environmental Management and Quality Management System requirements</li> </ul>                   | <ul style="list-style-type: none"> <li>Hunter Water supports IPART's preliminary view that no significant changes are required.</li> </ul>   | Sections 8.1 and 8.2                 |
| 11, 20 - 23   | <ul style="list-style-type: none"> <li>Reporting requirements – performance indicators, interactions with management systems</li> </ul> | <ul style="list-style-type: none"> <li>There are opportunities to streamline some reporting through greater consistency in performance indicator definitions.</li> <li>The Annual Information Return needs a thorough overhaul.</li> </ul> | Section 8.3 - Performance monitoring |
| 28  | <ul style="list-style-type: none"> <li>Water availability for firefighting</li> </ul>   | <ul style="list-style-type: none"> <li>Hunter Water is keen to work more closely with FRNSW and does not object to a requirement to formalise this relationship.</li> </ul>  | Section 8.4 - Water for firefighting |



## 1 INTRODUCTION

### 1.1 About the operating licence

The operating licence, issued by the NSW Government and administered by the Independent Pricing and Regulatory Tribunal (IPART), is Hunter Water's overarching regulatory instrument. The purpose of the licence is to enable and require Hunter Water to provide water, wastewater and stormwater drainage services within its area of operations. The operating licence makes Hunter Water accountable to the NSW Government for its performance, and supports the three primary policy objectives relating to the protection of public health, consumers, and the environment.<sup>1</sup>

The *Hunter Water Act 1991* describes terms and conditions that must be included in the licence:<sup>2</sup>

- Provision of services in an efficient, co-ordinated and commercially viable manner,
- Compliance with quality and performance standards, and
- Interactions with customers and consumers, such as customer service and consultation.

The Act also confers functions on IPART in relation to monitoring and auditing compliance with the requirements of the licence.<sup>3</sup>

Hunter Water's current operating licence came into effect on 1 July 2012 and expires on 30 June 2017.

Hunter Water welcomes the opportunity to work with IPART, other regulating bodies, stakeholders and the community in developing a new licence to apply from 1 July 2017.

### 1.2 Performance over the current licence period

Compliance with regulatory obligations is a key focus of Hunter Water's operations. IPART's operational audits have found Hunter Water to be fully compliant with requirements over the current operating licence term. Audit results have improved since the current systems-based licence came into effect in 2012-13, as shown in Figure 1.1.

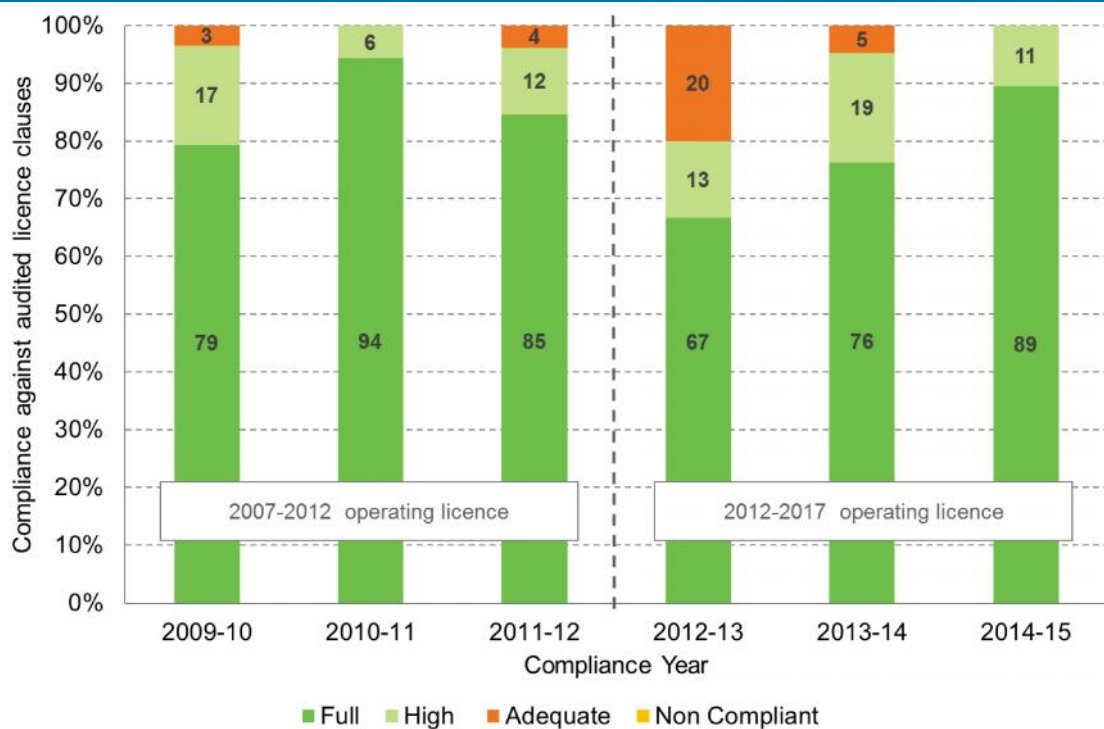
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<sup>1</sup> IPART, 2014(a), page 2.

<sup>2</sup> *Hunter Water Act 1991* (NSW), Sections 13.

<sup>3</sup> *Hunter Water Act 1991* (NSW), Sections 18 A-D.

**Figure 1.1 Overview of Hunter Water's operating licence compliance history**



**Source:** Hunter Water based on IPART, 2010, page 2; IPART, 2011(a), page 2; IPART, 2012(a), page 2; IPART, 2013(c), page 3; IPART, 2014(d), page 2; IPART, 2016(a).

**Note:** Clauses assigned a compliance grade of "Not Required" have been excluded.

## 1.3 Submission structure

This submission provides Hunter Water's views on requirements in its current operating licence that are effective and should be retained in its next licence, as well as identifying opportunities for improvement. It also provides a response to each of the issues raised by IPART.

A description of Hunter Water's operating environment, role and recent developments in the NSW water industry is provided in section 2 as context for the review.

Section 3 considers best practice licensing to inform the structure of the next licence and the framework for evaluating possible amendments.

The remainder of the submission has been set out in a manner that mirrors the structure and sequence of the current operating licence and IPART's Issues Paper:

- Section 4 Licence provisions in relation to **drinking water quality** and **recycled water quality**.
- Section 5 Licence provisions in relation to **water quantity**, such as water conservation and the supply-demand balance.
- Section 6 Licence provisions in relation to the **asset management** system and performance standards.
- Section 7 **Customers and consumers** including a summary of proposed changes to the Customer Contract.
- Section 8 Licence provisions in relation to **environmental management, quality management and performance monitoring**.
- Section 9 Licence and Customer Contract provisions in relation to **competition** in the urban water sector, such as the provision of **wholesale services** to wholesale customers.



Matters of detail are addressed in Appendixes.

## 1.4 Reader notes

- The 28 questions in IPART's Issues Paper are noted in each section in a pale blue shaded box. A summary of Hunter Water's response to each issue is provided in the shaded box in italics and additional details are provided in the main body of the document.
- Some totals in tables may not appear to add precisely due to rounding of the component terms in the table.
- Footnotes show abbreviated references. A full reference list is provided at the end of the submission.
- Dollar terms are \$2016-17, except where explicitly stated.



## 2 HUNTER WATER'S OPERATING CONTEXT

### 2.1 Overview of role and operations

#### 2.1.1 Role

Hunter Water is a State-owned Corporation providing water and wastewater services to over half a million people in the Lower Hunter region. Hunter Water was established as a result of the corporatisation of the Hunter District Water Board under the *State Owned Corporations Act 1989* and the *Hunter Water Act 1991*. The Hunter District Water Board has its origins in the nineteenth century.

The *Hunter Water Act 1991* details the specific roles and responsibilities of Hunter Water in relation to water, wastewater and stormwater drainage services.

Hunter Water is a vertically integrated water utility – an operator and retailer, from catchment to tap. Hunter Water's primary purpose is to provide safe, reliable and efficient water and wastewater services to the people of the Lower Hunter region.

#### 2.1.2 Operations

Hunter Water's area of operation is 5,366 square kilometres, covering the local government areas of Cessnock, Dungog, Lake Macquarie, Maitland, Newcastle, Port Stephens and a small part of Singleton Shire. Services are also supplied to MidCoast Water for the township of North Karuah in the Great Lakes Shire. Hunter Water's area of operations is illustrated in Figure 2.1.

There are 242,277 properties connected to the water network and 230,618 to the wastewater network, supplying a population of approximately 565,000 people.

Hunter Water's major water sources are Grahamstown Dam (182,305 megalitre capacity), Chichester Dam (18,356 megalitres), Tomago Sandbeds (60,000 megalitres) and Anna Bay Sandbeds (16,024 megalitres). Relatively small volumes of water are also sourced from the Allyn River and Paterson River.

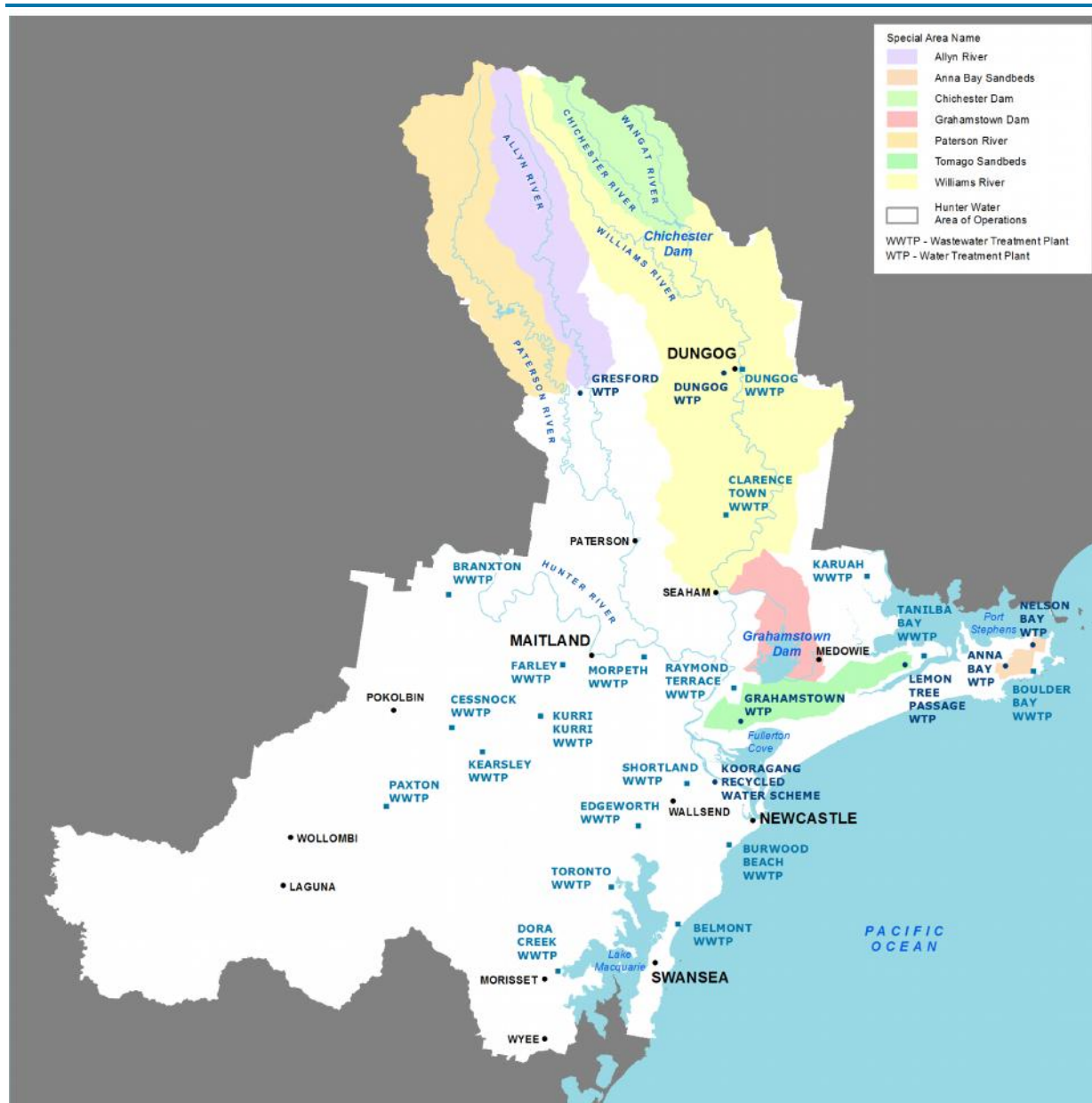
Drinking water is treated at one of six water treatment plants (WTPs) delivered via an extensive network of 4,945 kilometres of pipes, 87 reservoirs and 97 pumping stations. An average of 196 megalitres of water was supplied each day in 2014-15. Hunter Water also has the capacity to supply up to an average of 35 megalitres per day to the Central Coast.

Wastewater is collected through 4,990 kilometres of pipes and 443 wastewater pumping stations, delivered for treatment at one of 19 wastewater treatment plants (WWTPs). Hunter Water supplies over 4,000 megalitres of recycled water to customers each year.<sup>4</sup>

Stormwater management in Hunter Water's area of operations is primarily the responsibility of local councils. Only a small proportion of water and/or wastewater customers are also stormwater customers of Hunter Water. Stormwater is conveyed using 96 kilometres of major trunk channels owned and operated by Hunter Water in the Newcastle, Lake Macquarie and Cessnock local government areas. Hunter Water's role is to maintain the current capacity of the major concrete channels and culverts in these areas.<sup>5</sup> Councils are responsible for the management of street drainage and any 'natural' creeks upstream and downstream of the concrete channels. NSW Roads and Maritime Services is involved in drainage from major roads and highways.

<sup>4</sup> National Water Initiative National Performance Report indicators W21 and W22.

<sup>5</sup> *Hunter Water Act 1991* (NSW), sections 13(1)(b) and 62(2).

**Figure 2.1** Hunter Water area of operations

Source: Hunter Water.

### 2.1.3 Competition

The *Water Industry Competition Act 2006* (NSW) (WIC Act) provides the legal framework for private sector entry into NSW urban water markets. It has enabled a number of private entities to obtain licences to own, operate and maintain water, wastewater and recycled water infrastructure within Hunter Water's area of operations.

The Minister has issued four network operator licences in the Lower Hunter and IPART is currently considering one other licence application. There are approximately 15,000 housing lots within the proposed schemes of WIC utilities, representing almost half of the forecast dwelling growth in the Lower Hunter over the next 20 years. These figures highlight the increase in competitive activity in the seven years since the WIC Act and its supporting regulations commenced.<sup>6</sup>

<sup>6</sup> Legislation commenced in August 2008.

To date, WIC utilities have sought services from Hunter Water in the form of a drinking water supply delivered to the boundary of new greenfield developments and, in one case, a temporary connection to Hunter Water's wastewater system. The WIC utility on-sells the products and services to residential and non-residential end-use customers within a specific geographic area. IPART refers to the relationship between public water utilities and WIC utilities as the wholesale supply of water and sewerage services to wholesale customers.<sup>7</sup>

## 2.2 Regulatory context

Hunter Water is governed by the *State Owned Corporations Act 1989* and *Hunter Water Act 1991*. The NSW Government regulates Hunter Water's operations through various regulatory bodies and instruments.

An overview of regulatory arrangements by area of regulation is provided in Table 2.1. Further details of the Government agencies that have regulatory roles in relation to Hunter Water and their corresponding regulatory instruments are provided in IPART's Issues Paper.<sup>8</sup>

Hunter Water's operating licence is the key regulatory instrument that *enables* and *requires* provision of services within its area of operations. It is also seen as a mechanism to set out key Government requirements of public interest in a succinct and accessible form.<sup>9</sup>

**Table 2.1 Regulatory areas snapshot and pricing implications**

| Area of regulation   | Regulator                        | Regulatory instrument   |
|--|----------------------------------|---|
| Pricing, operations, service and standards, customer protections | IPART                            | Price determination<br>Operating licence<br>Customer contract |
| Obligation to shareholders                                       | NSW Treasury                     | Statement of corporate intent                                 |
| Wastewater licences  | Environment Protection Authority | Environment protection licences                               |
| Water extraction licences  | DPI Water                        | Water licence and approval package and Water Sharing Plans    |
| Dam safety   | NSW Dams Safety Committee        | <i>Dams Safety Act 1978</i>                                   |
| Drinking water quality   | NSW Health<br>IPART              | Memorandum of understanding<br>Operating licence              |

**Source:** Hunter Water.

<sup>7</sup> The definitions of wholesale water and wastewater (sewerage) services and customers are under consideration as part of a separate IPART review. See IPART, 2016(b), pages 13 to 15.

<sup>8</sup> IPART, 2016(c), page 10 and Appendix C.

<sup>9</sup> NSW Ministry of Health, 2014.





### 3 FORM OF LICENCE

#### 3.1 Introduction

Hunter Water's 2012-2017 Operating Licence is the fifth it has held. The framework for regulating the NSW water utility sector has undergone significant change over its various iterations. IPART has replaced prescriptive reporting and planning obligations of earlier licences with outcome-based requirements that allow Hunter Water greater flexibility in deciding most efficiently achieve targeted outcomes. Successive operating licences have also become more streamlined, removing duplicate and redundant clauses.

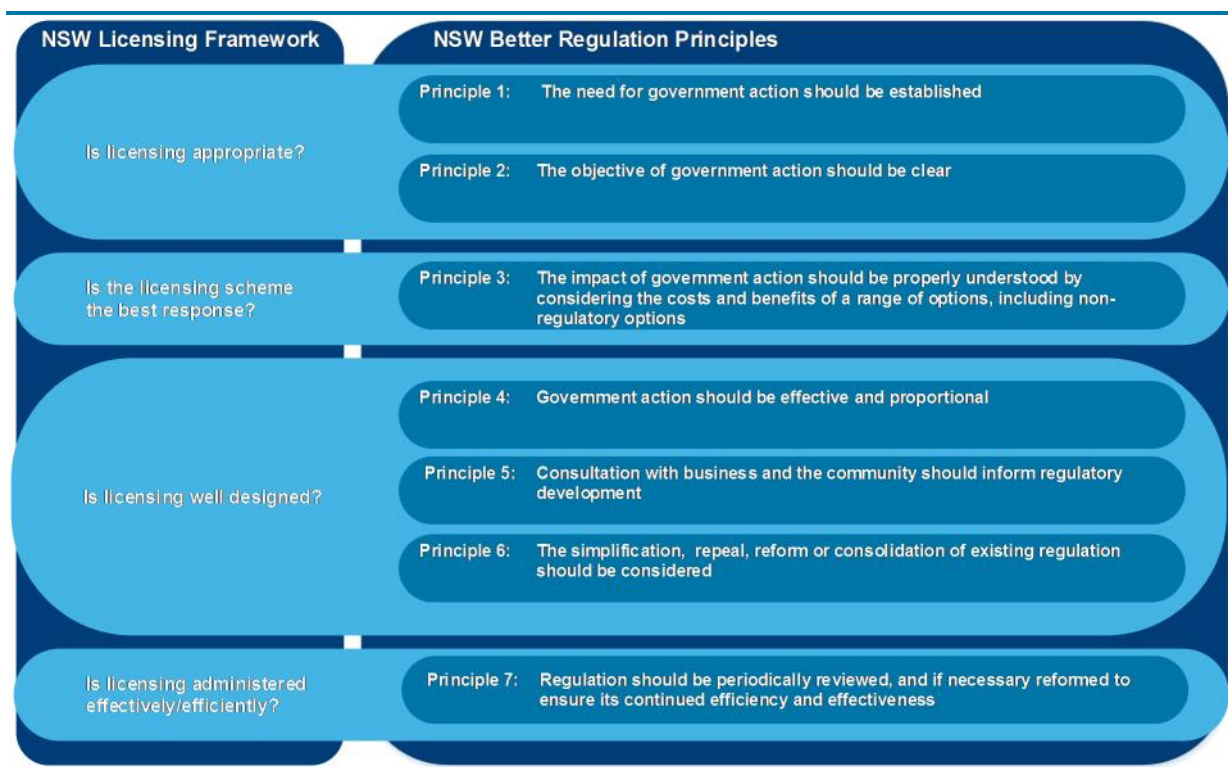
Hunter Water supports continuing reform in water sector licensing consistent with regulatory best practice. This section describes the principles for best practice licensing as a framework used in presenting Hunter Water's response to IPART's Issues Paper.

#### 3.2 Regulatory best practice

##### 3.2.1 NSW better regulation principles and licensing framework

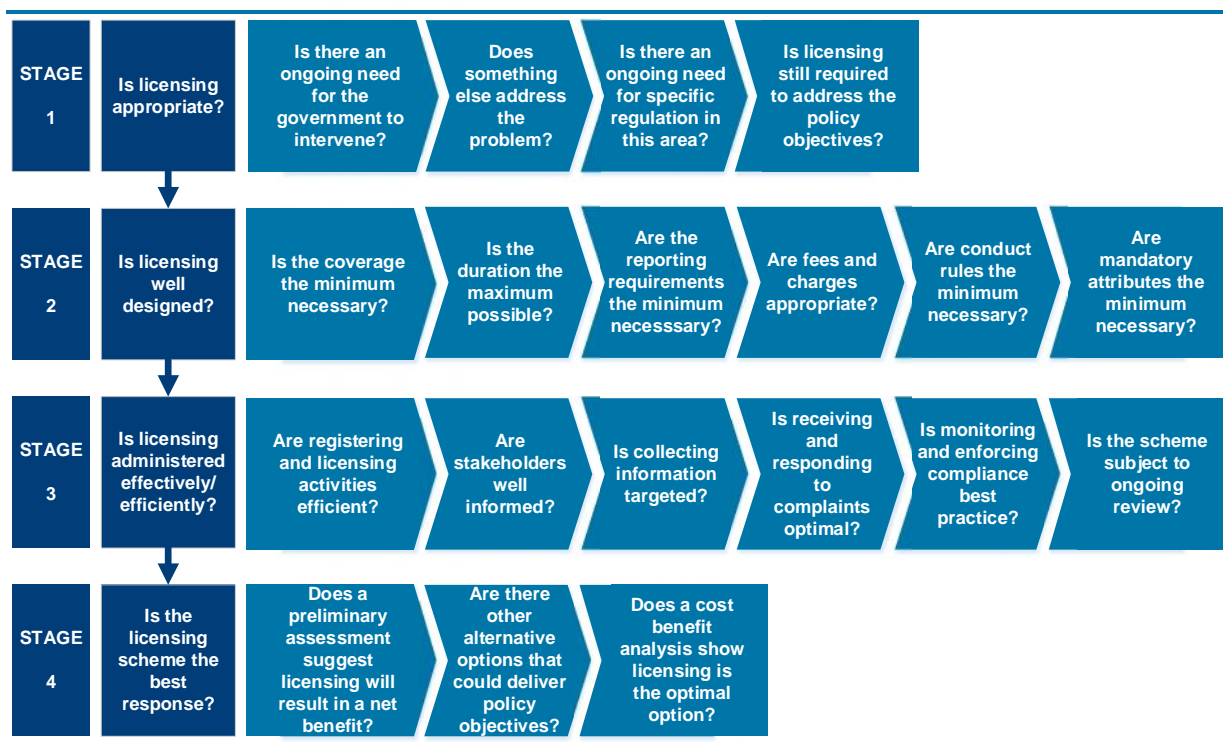
The NSW Government encourages the application of seven better regulation principles to cut red tape and ensure regulatory requirements are reasonable.<sup>10</sup> These are broadly consistent with IPART's Licensing Framework, which was developed as part of the 2014 Reducing Red Tape Review of licensing in NSW (see Figure 3.1 and 3.2).

**Figure 3.1 NSW better regulation principles and licensing framework**



**Source:** Based on PricewaterhouseCoopers, 2013, page 8 and NSW Department of Premier and Cabinet, 2009, page 7.

<sup>10</sup> NSW Department of Premier and Cabinet, Better Regulation Office, 2009, page 3.

**Figure 3.2 NSW Licensing Framework**

Source: PricewaterhouseCoopers, 2013, page 8.

IPART has adopted many of the overarching features of effective licence design in Hunter Water's 2012-2017 Operating Licence (see Box 3.1):

*The Hunter Water operating licence is a relatively complex instrument, which reflects the nature and scope of the corporation's operations...[however] there is little scope to reform this licence.<sup>11</sup>*

Hunter Water broadly agrees with this assessment but encourages the use of the Licensing Framework as a reference point for assessing new matters raised in IPART's Issues Paper, particularly those relating to performance reporting (addressed in section 8.3) and competition (addressed in section **Error! Reference source not found.**).

IPART has observed that there is potential for further standardisation of licensing and reporting in the NSW urban water sector, subject to legislative reform:

*... standardisation in water licensing/regulation has the potential to reduce compliance costs but it is a longer term consideration, depending on development of the water industry in NSW. Standardised regulation may be a future option but the feasibility needs to be further evaluated.<sup>12</sup>*

Hunter Water agrees there is merit in further consideration of this issue as competition matures.

<sup>11</sup> IPART, 2014(a), page 2.

<sup>12</sup> IPART, 2014(a), page 3.

## Box 3.1 Application of the Licensing Framework to Hunter Water's 2012-2017 Operating Licence

In 2014, IPART conducted an assessment of Hunter Water's 2012-2017 Operating Licence against the four key stages of the Licensing Framework.

The assessment found that the licence is appropriate, well-designed, administered effectively and efficiently and is considered the best way to achieve the policy objectives of protecting public health, environment and consumers, and ensuring the provision of essential services.

The key findings for each stage of the Licensing Framework are provided below.

### Stage 1 – Is licensing Hunter Water's operations appropriate?

- The policy rationale and objectives justify ongoing government intervention.
- In the absence of Hunter Water's licence, there were significant gaps across the policy objectives in both the scope of, and compliance/enforcement provided by, existing legislation. Examples of operating licence obligations that successfully fill these gaps are the requirements to implement management systems consistent with the Australian Drinking Water Guidelines and Australian Guidelines for Water Recycling.
- Hunter Water's Customer Contract provides comprehensive consumer protections and would be more effective for consumers than relying on Australian Consumer Law.

### Stage 2 – Is the licence well designed?

- Hunter Water's operating licence is focused on the main drivers of risk, minimises compliance costs and achieves the minimum level of coverage.
- The duration of the operating licence is the maximum possible. It balances the established nature of Hunter Water with the need to periodically review the operating licence to ensure it reflects industry changes.
- Public reporting ensures the transparency and accountability of Hunter Water's operations. The conduct rules in Hunter Water's operating licence are the minimum necessary – they directly address risk, avoid duplication, and are outcome-focused and enforceable.
- The mandatory attributes in Hunter Water's operating licence are the minimum necessary – they are clearly articulated and measurable, and periodically reviewed for relevance.

### Stage 3 – Is the licence administered effectively and efficiently?

- Overall, information collection and reporting under the licence is targeted to areas of greatest risk in Hunter Water's operations.
- The licence and supporting documents, such as performance reports, are available to stakeholders.
- Receiving and responding to complaints by Hunter Water is considered to be optimal.
- IPART's monitoring and enforcement policies are in accordance with best regulatory practices.

### Stage 4 – Is licensing the best response?

- The operating licence is an overarching regulatory instrument which recognises the significant impact that a business like Hunter Water can have on consumers, public health, and the environment.
- The operating licence addresses multiple policy rationales and objectives and provides the best response as it is more efficient to administer and enforce than the alternative options, such as amendments to a range of legislation.
- Combining obligations in one instrument, the operating licence, allows for monitoring, auditing and reporting of Hunter Water's performance to be undertaken by one regular (ie, IPART). This means that annual auditing and reporting can be more efficiently delivered through one process and one report. This also improves transparency for the NSW government, as the shareholder, to evaluate Hunter Water performance.
- There are likely to be net benefits from licensing the operations of Hunter Water.

**Source:** Information from IPART, 2014(a). Hunter Water analysis.

### 3.3 Timing of reviews

#### 11. Is there merit, in changing the timing of the operating licence review and the pricing review undertaken by IPART? If so, what should be the order of these reviews?

*Hunter Water considers that there would be advantages in an operating licence review commencing two years prior to a price review. Knowledge of new or amended licence obligations one year prior to the lodgement date for a price submission would enable the water utility to incorporate any revised performance standards or additional compliance costs into operating and capital expenditure proposals.*

IPART regularly reviews Hunter Water's operating licence to ensure that it maintains currency and reflects stakeholder expectations and changes in operating context. IPART also sets, and periodically reviews, the prices that Hunter Water must charge for the water, wastewater and stormwater drainage services that it is *enabled* and *required* to provide within the area of operations under its operating licence.

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. IPART faces legislative and practical constraints in the sequencing of reviews.

The *Hunter Water Act 1991* sets out a maximum term of five years for Hunter Water's operating licence.<sup>13</sup> Regulatory best practice under the NSW Licensing Framework favours an approach where licences run for the full term.<sup>14</sup> Public water utility operating licence reviews typically take a year from the release of an IPART Issues Paper to the Governor's approval and gazettal of a new licence package.

Public water utility price reviews typically take a year from formal commencement to a final determination. In 2014, IPART changed the timing and sequencing of the price review process, requiring utilities to lodge a price submission three months earlier than previously required. This change means that a public water utility must finalise expenditure proposals six to twelve months prior to lodgement of a price submission to enable sufficient timing for modelling and quality assurance checks.

There are no regulatory constraints on the term of a price determination and it is generally an issue that IPART considers at each price review. IPART's recent practice for urban water utilities has been to set four-year price determination periods. IPART considers various factor when deciding the term of determination periods, including the balance between regulatory certainty and flexibility to respond to changes in operating context.<sup>15</sup>

In summary, in order to improve the timing of the operating licence review and price review IPART may:

- Reduce the term of Hunter Water's operating licence from its current five-year period but may not extend the term. A five-year term for the new licence package would apply from 1 July 2017 to 30 June 2022.
- Set any length of price determination. The current price determination applies until 30 June 2020 and a new four-year price determination would apply until 30 June 2024.

Hunter Water considers that there would be advantages in an operating licence review commencing two years prior to a price review. 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.

In practical terms this means that the operating licence review would consider whether any proposed changes to the licence provide a net benefit to society through cost benefit analysis.<sup>16</sup> The costs of any adopted licence changes should then be incorporated into a public water utility's price submission but would be exempt from consideration in an expenditure review (otherwise there would be regulatory duplication). The operating licence may need to provide for a phased implementation of any changes or

<sup>13</sup> Section 15(2).

<sup>14</sup> IPART, 2014(a), page 26.

<sup>15</sup> IPART, 2016(d), page 35.

<sup>16</sup> This is consistent with the current process, as described in IPART, 2016(c), pages 2 and 3.

tighter obligations, recognising the two year gap before the utility could recover additional costs through regulated prices.

If current practices continue, the 2021-22 operating licence review and 2023-24 price review will likely be well aligned.

Alternative timing previously suggested by IPART is for concurrent operating licence and price reviews. Hunter Water does not support this option, particularly if IPART continues with the timing and sequencing of the 2015-16 price review process (i.e. utility proposal prior to IPART Issues Paper). Hunter Water's concern is the inability to incorporate the cost implications of operating licence changes in the price submission.<sup>17</sup> Additionally, it would impose a regulatory burden on a relatively small organisation. Regulatory and operational staff would need to prepare for and coordinate three concurrent activities: annual regulatory reporting and the IPART annual operational audit; expenditure review for the periodic price review; and provision of information to support a cost benefit analysis for the periodic operating licence review.

Hunter Water notes that there is precedent for partial reopening of compliance reviews.<sup>18</sup> This offers an alternative way of achieving greater alignment between the price determination and operating licence periods. This may also allow IPART to introduce greater consistency in the licensing approach adopted between the major public water utilities.

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<sup>17</sup> Options for operating licence changes are developed in August, after the Issues Paper and utility/public submissions, but the utility's price submission would be due in June, before the price review Issues Paper and public submissions.

<sup>18</sup> For example, system performance standards were addressed across the 2006-07 operating licence review and 2008-09 price review and adopted in 2010. Hunter Water's customer contract was reviewed in 2010-2011 in advance of the operating licence review at Hunter Water's request. Some parallel changes to the Customer and consumer part of the operating licence were concurrently updated. Performance indicators for all major public water utilities were reviewed separately to individual utility operating licences in 2010-2011. Reporting manuals were also considered separately. See IPART, 2011(b), pages 5 and page 24.





## 4 WATER QUALITY

### 4.1 Introduction

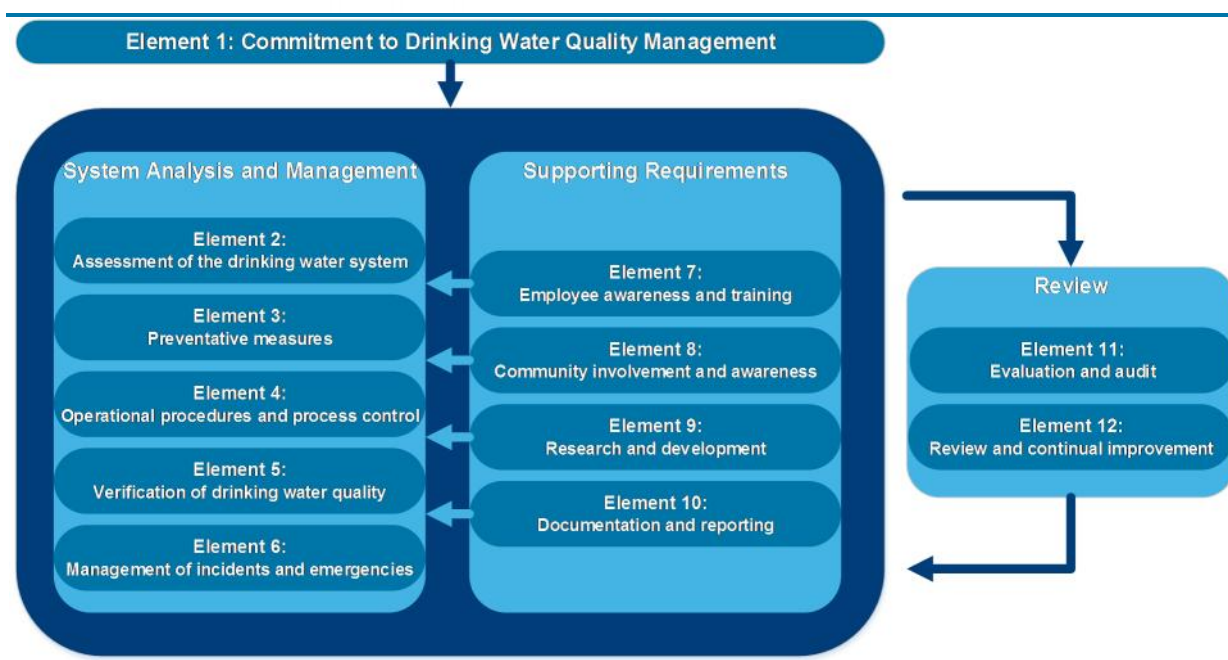
This section describes how Hunter Water currently manages drinking water quality and recycled water quality and the product quality outcomes. It considers the current regulatory and governance arrangements in the context of opportunities for improvement.

### 4.2 Drinking water quality management

#### 4.2.1 Drinking water quality management at Hunter Water

Hunter Water's drinking water systems are managed in accordance with the "Framework for management of drinking water quality" as set out in the Australian Drinking Water Guidelines (ADWG).<sup>19</sup> The ADWG Framework is based on the application of multiple barriers (preventive measures at all steps in the drinking water system) to ensure that consistently safe drinking water is supplied to customers. It contains twelve interrelated elements that are considered good practice for achieving and assuring safe, good quality drinking water, as shown in Figure 4.1.

**Figure 4.1 Framework for management of drinking water quality**



Source: NHMRC, 2016, Figure 2.1, page 13.

Drinking water supply is regularly tested throughout the water supply system, which confirms it is consistently of a high quality and infrequently affected by localised aesthetic issues (see Table 4.1).

**Table 4.1 Performance against water quality indicators**

| Indicator  | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|---------|---------|---------|---------|
| Microbiological compliance – percentage of routine water quality samples that comply with the ADWG for <i>E. coli</i>                      | 100%    | 99.9%   | 100%    | 99.9%   |
| Chemical/ physical compliance – percentage of routine water quality samples that comply with the ADWG for key chemical/physical parameters | 99.9%   | 99.7%   | 99.6%   | 99.3%   |

Source: Hunter Water.

<sup>19</sup> National Health and Medical Research Council, 2016.

Monthly drinking water quality summary reports are available to the public on Hunter Water's website.<sup>20</sup> Hunter Water has designed the format of its monthly water quality monitoring reports in a way that balances accessibility, simplicity and usefulness to the general public.

Hunter Water's annual Compliance and Performance Report provides an overview of the drinking water quality management system, analysis of performance of the management system, summary of proposed activities and programs to continuously improve the management system and analysis of drinking water quality outcomes.

## 4.2.2 Interactions between the operating licence and public health legislation

### 1. Should the operating licence obligations for drinking water be retained, given the presence of similar requirements under the Public Health Act 2010?

*Hunter Water supports retention of the drinking water obligations in its operating licence. The Chief Health Officer may grant major public water utilities an exemption from section 25 of the Public Health Act 2010, which manages the potential for regulatory duplication.*

The *Public Health Act 2010* is the overarching state-wide legislation that aims to protect public health in relation to drinking water supplies. It includes provisions to:

- Require implementation of good management practices to reduce the risk of a water quality incident occurring, and
- Enable an effective response in the event of unsafe drinking water quality outcomes.

Hunter Water notes the potential for regulatory duplication between the operating licence and the *Public Health Act 2010* in relation to drinking water quality management practices. The NSW Ministry of Health (NSW Health) has sought to address this overlap by exempting Hunter Water (and Sydney Water) from the requirements of section 25 of the *Public Health Act 2010*.<sup>21</sup> The exemption is valid until 30 June 2017, provided that Hunter Water continues to:<sup>22</sup>

1. Implement a drinking water quality management system consistent with the ADWG,<sup>23</sup>
2. Involve NSW Health in updates or amendments,<sup>24</sup>
3. Report on implementation of the drinking water quality management system in its annual Compliance and Performance Report, and<sup>25</sup>
4. Achieve a compliance rating of 'adequate' or better in IPART's annual operational audit for all operating licence obligations in relation to drinking water.<sup>26</sup>

NSW Health has expressed its support for IPART to include the drinking water quality management system and reporting obligations in the operating licence, noting:

*This would simplify the granting of any future exemption under the Public Health Act 2010.*<sup>27</sup>

Hunter Water considers that the current arrangements are reasonable and appropriate, and supports retaining the current drinking water quality requirements in the next operating licence.

<sup>20</sup> <http://www.hunterwater.com.au/Water-and-Sewer/Water-Supply/Water-Quality/Water-Quality.aspx>

<sup>21</sup> NSW Ministry of Health, 2016, page 8.

<sup>22</sup> Chief Health Officer, 2014.

<sup>23</sup> Equivalent to clause 2.1.2 of Hunter Water's 2012-2017 Operating Licence

<sup>24</sup> Equivalent to clause 2.1.3 of Hunter Water's 2012-2017 Operating Licence, which relates to significant changes to the management system.

<sup>25</sup> Equivalent to clause 2.2.1 of the Hunter Water Reporting Manual (IPART, 2013(a)).

<sup>26</sup> The compliance rating scale for public water utilities is Full Compliance, High Compliance, Adequate Compliance and Non-Compliant and No requirement (IPART, 2015(a)).

<sup>27</sup> Chief Health Officer, 2014.

### 4.3 Recycled water quality management

#### 4.3.1 Recycled water quality management at Hunter Water

Hunter Water's current recycled water schemes provide recycled water from the Branxton, Cessnock, Clarence Town, Dora Creek, Dungog, Edgeworth, Farley, Karuah, Kurri Kurri, Morpeth Wastewater Treatment Works (WWTW) and the Mayfield West advanced water treatment plant (part of the Kooragang Industrial Water Scheme).

Hunter Water manages its recycled water schemes in a way that protects human health and the environment; and complies with customer agreements and other relevant regulatory requirements. Over the current operating licence term, this has involved a transition from managing existing recycled water schemes using a framework consistent with the *National Water Quality Management Strategy Guidelines for Sewerage Systems: Use of Reclaimed Water 2000* to consistency with the *2006 Australian Guidelines for Water Recycling* (AGWR). Hunter Water has achieved the transition within timelines agreed with NSW Health.

At the last operational audit, IPART's auditors found that Hunter Water was fully compliant with the requirement to maintain a recycled water quality management system consistent with AGWR. The audit report also found that implementation was well advanced and Hunter Water continues to improve the system.<sup>28</sup>

#### 4.3.2 Recycled water in industrial use

##### **3. How should the risk of potential inappropriate use of recycled water with industrial customers be managed? What action could/should Hunter Water take in the event that the end-use is considered inappropriate?**

*Hunter Water considers that the risk of inappropriate use of recycled water by non-residential customers is already adequately addressed through various elements of Hunter Water's recycled water quality management system including contractual terms that enable suspension of service or disconnection for inappropriate end-uses.*

An aspect of recycled water management that has recently received attention relates to the potential health and environmental risks that may arise if actual end use of recycled water by non-residential customers does not align with the intended use.

The majority of Hunter Water's recycled water schemes supply the agricultural and municipal sectors (e.g. farms and golf courses). There are currently two industrial end users, of which only one is expected to remain a Hunter Water recycled water customer at the commencement of the new operating licence.<sup>29</sup> Nonetheless, Hunter Water is committed to ensuring its recycled water services are safe and therefore the concern regarding end uses is addressed for all non-residential sectors.

Hunter Water and non-residential recycled water customers enter into Non-Potable Water Supply Agreements, which require customers to use recycled water in compliance with the AGWR. These agreements require the recycled water customer to participate in a Recycled Water Quality Management Plan Risk Assessment Workshop. The workshop involves consideration of the customer's intended end uses of the recycled water. Hunter Water's treatment processes, and associated recycled water quality outcomes, are compared with the AGWR requirements for the end use category. The customer is required to implement onsite preventative measures to address any potential compliance gaps.

Hunter Water is able to access its customers' sites to audit compliance with Non-Potable Water Supply Agreements and Recycled Water Quality Management Plans. Any identified non-compliances result in an escalating sequence of corrective actions, ranging from verbal or written warning, temporary cessation of the supply of recycled water until such time as compliance is achieved, or permanent disconnection.

<sup>28</sup> IPART, 2016(a), page 13 and Appendix C page 3.

<sup>29</sup> One industrial end user of recycled water has advised of its intention to cease operations. The Kooragang Industrial Water Scheme is in the process of being sold by Hunter Water (Hunter Water, 2015(a)).

Hunter Water considers these provisions to be encompassed within its recycled water quality management system and therefore subject to adequate regulatory oversight through IPART's annual operational audits.

Hunter Water acknowledges that NSW Health's preliminary view on this matter, as reflected in IPART's Issues Paper, differs to some extent.<sup>30</sup> Hunter Water would welcome the opportunity to discuss options to address any gap with NSW Health and IPART as part of this operating licence review.

## 4.4 Water quality governance

NSW Health provides advice to the NSW Government in relation to water quality management and ensuring that water supplied is safe for its appropriate end uses.<sup>31</sup> NSW Health is also responsible for administering the *Public Health Act 2010* and other relevant legislation and regulations.

Hunter Water works closely with NSW Health to ensure that all current and emerging issues associated with drinking water quality and recycled water quality are identified, assessed and appropriately managed. Interactions between the parties are formalised in a Memorandum of Understanding (MOU). A full copy of the MOU is available on Hunter Water's website, NSW Health's website<sup>32</sup> and the Hunter New England Local Health District website.<sup>33</sup>

Hunter Water values the cooperative and consultative relationship it has with NSW Health and remains committed to maintaining this approach to managing drinking water quality and recycled water quality for the Lower Hunter region.

Hunter Water's current operating licence contains several obligations that recognise NSW Health's role in relation to drinking and recycled water quality:

- Ensuring Hunter Water's management systems are implemented to NSW Health's satisfaction.
- Obtaining approval for any significant changes to Hunter Water's management systems.
- Maintaining and comply with an MOU formalising the relationship.

Hunter Water considers that these requirements are appropriate and should be retained in the upcoming operating licence.

### 4.4.1 NSW Health's role in water quality management systems

#### **2. How should NSW Health's role in the review and endorsement of water quality management systems be articulated? Are there other viable options for approving water quality management systems in accordance with the Australian Drinking Water Guidelines and Australian Guidelines for Water Recycling?**

*Hunter Water values NSW Health's involvement in significant changes to its management systems.*

Hunter Water is of the view that it is sensible to require public water utilities to implement water quality management systems in a way that satisfies NSW Health, given the potential health risks of inappropriate water quality. This involvement provides customers and the community with assurance that the quality of water is safe and appropriate for intended end uses. NSW Health's satisfaction is gauged during IPART's annual operating licence compliance audits.

The requirement for Hunter Water to obtain formal approval of any significant changes to its water quality management systems is technically inconsistent with NSW Health's mandate. As stated in IPART's Issues Paper:

*NSW Health noted that it is not an approval authority.*<sup>34</sup>

<sup>30</sup> IPART, 2016(c), page 16.

<sup>31</sup> Hunter Water Corporation and NSW Health, 2013, page 2.

<sup>32</sup> <http://www.health.nsw.gov.au>.

<sup>33</sup> <http://www.hnehealth.nsw.gov.au/hneph>.

<sup>34</sup> IPART, 2016(c), page 17.

Hunter Water is of the view that it would be worthwhile clarifying compliance expectations during operational audits. However, it is unlikely to affect Hunter Water's approach to developing and implementing significant changes to its management systems in practice. That is, Hunter Water's current approach is to involve NSW Health throughout the development of its significant change proposals to ensure that mutually acceptable outcomes are achieved. Hunter Water intends to continue this practice. Hunter Water can see benefits in agreeing with NSW Health the types of changes that are considered 'significant' and therefore may warrant more formal acknowledgement of agency involvement.

## 4.4.2 Formalising the relationship between Hunter Water and NSW Health

### 24. What are your views on maintaining the current licence obligation to require a Memorandum of Understanding with NSW Health?

*Hunter Water and NSW Health maintain a constructive relationship on water-related public health matters. Hunter Water considers it is sensible to formalise this relationship in an MOU.*

Hunter Water has argued in previous operating licence reviews that requirements to enter into a memoranda of understanding may inappropriately establish obligations on third parties. 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>35</sup>

NSW Health's preference has been to retain the MOU as:

*...a record of commitment to this relationship...[but] the operating licence should not hold Hunter Water accountable for NSW Health's actions in establishing or complying with the MOU...<sup>36</sup>*

Hunter Water considers that the current licence obligation addresses its previous concern by referencing the use of 'best endeavours'. Hunter Water considers that the current arrangements are effective, but is interested in NSW Health's view on this matter.

## 4.4.3 Compliance monitoring responsibilities

### 25. What alternative methods are there to include NSW Health in the auditing process for water quality, to ensure it is kept informed of issues that may affect public health in the Hunter region?

*A review of the Public Health Act 2010 is currently considering establishment of a compliance regime. It raises the potential for duplication in compliance monitoring between that Act and operating licences. Hunter Water supports the removal of regulatory duplication but notes that this could be achieved by either an exemption under the Public Health Act 2010 or removal of the requirement from the operating licence.*

There is potential for duplication in water quality compliance monitoring, given Hunter Water's requirements under both the operating licence and *Public Health Act 2010*. IPART's current practice is to gauge NSW Health's satisfaction with Hunter Water's drinking and recycled water quality management systems during its annual operating licence compliance audits. Hunter Water considers this is reasonable given the potential health consequences of inappropriate water quality. The additional regulatory burden is minimal.

A statutory five year review of the *Public Health Act 2010* is currently underway. The Discussion Paper canvasses the potential to establish a compliance regime in relation to its drinking water quality management system quality assurance provisions. Hunter Water's submission to the review generally supported the establishment of a compliance regime for the water industry but noted that major urban public water utilities should be exempt from any such requirement if IPART continues to conduct an operational audit of the drinking water quality management system.

<sup>35</sup> Hanna, *et al.*, 2016.

<sup>36</sup> IPART, 2011(b), page 14.

Hunter Water notes that an alternative option to address potential auditing duplication would be to remove the requirement from the operating licence. Hunter Water considers that the current arrangements are effective, but is interested in NSW Health's view on this matter.



## 5 WATER QUANTITY

### 5.1 Introduction

This section discusses the water quantity operating licence obligations. It covers two issues:

- The role of water conservation in balancing water supply and demand – IPART aims to ensure that customers do not have to pay for inefficient supply augmentation projects and/or face a lack of water supply reliability and/or restrictions that are considered inconsistent with the standards set for public water utilities; and
- Hunter Water's role in water planning - Efficiently securing the lower Hunter region's drinking water supplies, in the absence of a competitive bulk water market and in accordance with the Lower Hunter Water Plan (LHWP).

### 5.2 Current water conservation obligations

The term water conservation includes the activities of water efficiency (demand management), water loss management and water recycling. Hunter Water's 2012-2017 Operating Licence sets out two requirements relating to water conservation:

- Water Conservation Target - Ensure a 5-year rolling average water conservation target for residential water consumption of equal to or less than 215 kilolitres per year for each property.
- Economic Level of Leakage - Complete a review to determine and report on the economic level of leakage from its drinking water network, based on a methodology approved by IPART.

IPART first set the Water Conservation Target in Hunter Water's 2002-2007 Operating Licence. Hunter Water had argued that such an approach was not justified given that residential water consumption in the Hunter was low compared with other metropolitan water utilities in Australia and Hunter Water had a history of pay-for use charging.<sup>37</sup>

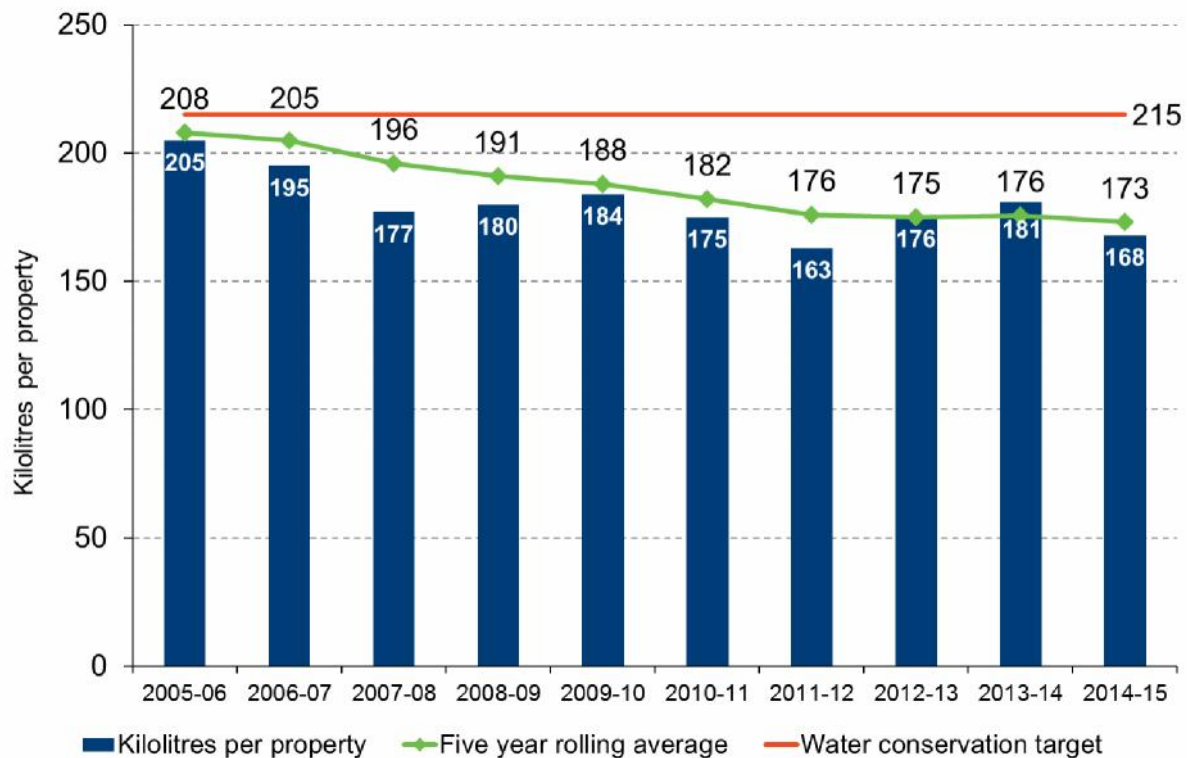
The inclusion of a Water Conservation Target provides a degree of consistency with the Water Usage Level in Sydney Water's recent operating licences.<sup>38</sup> Both obligations are arbitrary and prescriptive limits tied to a historical level of drinking water demand. The obligations differ in that Hunter Water's limit relates to water usage by residential customers whereas Sydney Water's limit covers all customer types.

Annual residential water consumption is well within the existing 215 kilolitres residential target, raising the question about the usefulness of the current approach (see Figure 5.1). More importantly, Hunter Water considers that investment decisions should not be driven by a hard limit set 15 years ago that takes no account of the costs and benefits of water conservation or supply augmentation options in the current operating environment. Retaining the Water Conservation Target at the current level, or a lower level, could force Hunter Water to implement high-cost projects and programs, with no commensurate benefit for customers or the community.

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<sup>37</sup> Hunter Water, 2001, page 27.

<sup>38</sup> The Water Usage Level is the weather corrected quantity of drinking water drawn from all sources, which is capped at 329 litres per person per day (Sydney Water, 2015(a), clause 3.2.5).

**Figure 5.1** Ten year trend in residential water use

Source: Hunter Water.

Hunter Water's annual Compliance and Performance Report details Hunter Water's water quantity management, including compliance with the water conservation target and details on projects that Hunter Water has undertaken to achieve the target in the previous 12 months. The description of each project includes an estimate of the amount of water that Hunter Water has saved or conserved as result of each initiative. Hunter Water also provides information on proposed projects and water conservation actions, along with estimates of forecast water savings from each planned initiative.

Hunter Water's current operating licence (clause 3.2.2) and the associated Reporting Manual (clause 3.3.1) required Hunter Water to propose a methodology, apply the methodology and prepare a report to IPART on the Economic Level of Leakage from Hunter Water's drinking water network. Hunter Water finalised its methodology and the report to IPART in 2014. Hunter Water's methodology set out a framework for quantifying the marginal cost of leakage and the marginal cost of leakage management for each of the components of water loss management. Hunter Water's report to IPART concluded that:

*A review of the Economic Level of Leakage identified opportunities for optimisation of current portfolios to improve the balance of water loss and expenditure. In particular the analysis identified that active leak detection programs can be justifiably expanded to further control deterioration and off-set increases in unreported leakage. Conversely the assessment indicated that pressure management programs are not economic based solely on water loss reductions, however, can be progressed with the combined benefits of water loss reductions, asset performance improvement and life extension.<sup>39</sup>*

Hunter Water's report to IPART also provided detail on water loss abatement forecasts, and system leakage forecasts relative to the Economic Level of Leakage.

<sup>39</sup> Hunter Water, 2014, page 13.

## 5.3 The Economic Level of Water Conservation

### 4. What are your views on adopting the Economic Level of Water Conservation approach in the new licence, and removing the water conservation target and Economic Level of Leakage requirements?

*Hunter Water supports the inclusion of a requirement to develop and implement a methodology for evaluating the Economic Level of Water Conservation. The Water Conservation Target and Economic Level of Leakage requirements should be discontinued when Hunter Water finalises, and IPART approves, the Economic Level of Water Conservation methodology.*

The most recent review of Sydney Water's Operating Licence considered alternative water conservation obligations to overcome concerns about the arbitrary and prescriptive limits. IPART considered four alternative approaches:<sup>40</sup>

1. The government could ensure that Sydney Water meets the objectives of the Metropolitan Water Plan by giving Sydney Water a direction from the Portfolio Minister under the State Owned Corporations Act to implement specific actions from the Plan.
2. Relying solely on the IPART pricing determination including the review of expenditure every four years. The paper notes that the IPART price determination process cannot require the regulated utility to undertake water conservation activities.
3. An extension of the Economic Level of Leakage concept to allow Sydney Water to exercise its judgement and the operational flexibility to adapt its water conservation activity to changes in circumstances, promoting innovation and efficiency.
4. Apply the concept of scarcity pricing to ensure that the level of water conservation matches public expectations and willingness to pay for water conservation activity.

IPART recommended a version of approach 3, the Economic Level of Water Conservation (ELWC). IPART's cost-benefit analysis for Sydney Water identified three specific objectives for developing the ELWC methodology:<sup>41</sup>

- promote transparency and accountability around water conservation and planning activities,
- avoid overly prescriptive targets or requirements that may result in under-investment or over-investment, and
- require the water utility to determine its most efficient mix of water conservation activities.

Hunter Water supports the ELWC concept, recognising that such an approach is consistent with IPART's aim of:

*...ensuring customers do not have to pay for inefficient supply augmentation projects or face a lack of water supply reliability.<sup>42</sup>*

The other three approaches are not viable for Hunter Water's upcoming operating licence given that IPART's 2016 Determination did not provide for any form of scarcity pricing or provide allowance for additional water conservation activities. Hunter Water has developed and applied an Economic Level of Leakage methodology in the current operating licence term. Hunter Water has a good understanding of how it could extend this approach more generally to cover a wider range of water conservation initiatives.

<sup>40</sup> Hanna, *et al.*, 2016.

<sup>41</sup> IPART, 2015(b), Appendix C, page 37.

<sup>42</sup> IPART, 2016(c), page18.

Hunter Water agrees that a well-designed ELWC methodology should encourage the regulated utility to take a business-wide approach to assessing ongoing and new investment in water conservation measures. Sydney Water's 2016 discussion paper on the ELWC summarised the expected key benefits of the new requirements:

*We believe the new approach to water conservation will be more adaptive and transparent than our current way of assessing potential water conservation activities. We will also be better able to determine our appropriate level of investment, taking into account changes in external circumstances that affect the context of water conservation. Examples of changing circumstances that may affect Sydney Water's economically efficient level of water conservation include drought, supply system capacity, prices, customer preferences and expectations, delivery costs and technological innovation.*<sup>43</sup>

Hunter Water has participated in an Interagency Reference Group providing advice and input on the design of Sydney Water's ELWC methodology. This has given Hunter Water a good understanding of the main features of the methodology, areas of complexity, implementation issues and likely timelines to complete key areas of work.

## 5.4 Transitional arrangements

### 5. If the ELWC approach is adopted, what are your views on the appropriate reporting requirements? Should Hunter Water continue to report on its water conservation performance?

*Hunter Water is of the view that reporting against the current Water Conservation Target is an outdated and redundant requirement. Hunter Water would prefer termination of the Water Conservation Target at the end of the current operating licence period.*

Hunter Water offers its in-principle support for IPART's proposed inclusion of licence requirements relating to an ELWC and Water Conservation Report. Retaining the requirement for Hunter Water to report against the Water Conservation Target of 215 kilolitres per year for each residential property would not serve any useful purpose given that the actual level of annual residential water usage in Hunter Water's area of operations is well below the limit. Hunter Water accepts that the costs of retaining the Target and the annual reporting requirement until Hunter Water finalises its ELWC methodology would not be material.

## 5.5 Implementing the ELWC approach

### 6. What are the factors that we should consider, in the context of Hunter Water's operating environment, if/when adopting the ELWC approach?

*IPART should consider the size of the Hunter Water relative to its peers, including constraints on internal resourcing, and lessons from Sydney Water's implementation of its licence requirements.*

IPART's Issues Paper outlines three process requirements associated with the development of the ELWC approach:

- Determine a suitable approach, principles and methodology for the ELWC and submit it to IPART for review and approval.
- Develop a water conservation program as a result of applying the methodology and report on the implementation of this program.
- Determine and regularly review the ELWC in a manner acceptable to IPART.

<sup>43</sup> Sydney Water, 2015(b), page 1.

## 5.5.1 Suitable approach, principles and methodology

Sydney Water's Operating Licence states that it must develop a methodology:

*... for determining the economic level of water conservation, including (at a minimum) each of the following elements of water conservation:*

- a) water leakage;*
- b) water recycling; and*
- c) water efficiency (including demand management).*

Hunter Water understands that there are differing views as to the precise meaning and interpretation of Sydney Water's ELWC licence requirement. One view is that the ELWC methodology must determine the economic level of water conservation for all three elements of water conservation.

Hunter Water considers that the purpose and scope of the ELWC methodology should be the development of a robust analytical framework, identifying relevant costs and benefits, both financial and non-financial, and the basis for valuing those costs and benefits. The methodology should not oblige Hunter Water to apply the methodology to all three elements or to quantify an overall level of water conservation for each element. Rather the methodology should be seen as an economic framework that is capable of testing and measuring the net benefits or costs of potential projects, programs and initiatives from each of these elements.

Hunter Water has a reasonable understanding of the time and resources needed to complete the first task of preparing an ELWC methodology for IPART's review and approval. Hunter Water has observed Sydney Water's progress in developing the methodology through the work of the ELWC Interagency Reference Group. In addition, Hunter Water and Sydney Water have discussed the process and necessary timelines to complete key tasks.

Sydney Water's Operating Licence provided five months for Sydney Water to prepare a report to IPART outlining a proposed approach and principles for developing the ELWC methodology. The operating licence provided a further 12 months for Sydney Water to develop the final methodology, including a period of time for IPART review and final approval.

Hunter Water considers that a six month period for establishing the approach and principles and a further 12 months to finalise the ELWC methodology is reasonable and achievable. Hunter Water supports the ELWC concept and does not want to unnecessarily delay its implementation.

Hunter Water makes the following observations about the process for developing and finalising the ELWC methodology.

- Hunter Water is a smaller utility than Sydney Water and has fewer resources to dedicate to the task of finalising a methodology. Having said that, Sydney Water has made substantial progress in examining and resolving some of the key conceptual and technical issues associated with establishing an ELWC methodology, which are outlined in Sydney Water's 2016 ELWC Issues Paper. Hunter Water would seek to incorporate key parts of the ELWC methodology that IPART approves for Sydney Water, subject to context specific considerations. Hunter Water will benefit from the lessons and experiences of Sydney Water.
- Hunter Water has developed and applied an Economic Level of Leakage methodology. This process established a degree of familiarity with, and understanding of, the tasks and challenges associated with this type of work. Hunter Water would revisit the ELL work as a starting point for any new requirement in this area.
- IPART's 2016 Determination of Hunter Water's prices set the water usage price based on historical prices. The LHWP published in 2014 did not identify the next source augmentation, consequently it was not possible for Hunter Water or IPART to calculate the long run marginal cost of supply in the Lower Hunter. Sydney Water has much richer sources of information to value the benefits of water conservation, particularly through the most recent work by the Metropolitan Water Directorate. This should not constrain Hunter Water's ability to design a robust benefit-cost framework for the ELWC, although it may create challenges for the application of the methodology.

While Hunter Water supports an operating licence requirement to develop and finalise an ELWC methodology, the principles and approach would need to be tailored to Hunter Water's operating environment, taking into account the size of the business, the scope of potential water conservation activities, available data on costs and benefits, existing stakeholder engagement processes, and the resourcing costs of preparing the methodology.

## 5.6 Community expectations

Consultation with the community, stakeholders, advocacy groups and government agencies in developing the LHWP revealed strong support for water conservation initiatives. This is evident in the community values for water planning developed during consultation workshops. The values included:

- *Sustainable solutions and water conservation*
- *A fair and affordable system*
- *Safe, healthy water for all uses*
- *Protecting the natural environment*
- *Investing dollars wisely<sup>44</sup>*

Hunter Water would look to involve stakeholders, including customers, in the development of the ELWC methodology. Hunter Water's report on approach and principles would detail the scope of this consultation and identify key parties from whom Hunter Water would seek direct input.

### 5.6.1 Publish a Water Conservation Report

Hunter Water anticipates that IPART would require water conservation reporting similar to that of Sydney Water. Sydney Water's Operating Licence and reporting manual sets out requirements to publish an annual water conservation report detailing:

- the elements of Sydney Water's water conservation activities for the previous financial year and the next five financial years;
- describe and explain progress against each element of the water conservation program;
- describe and explain any changes to the water conservation program relative to the previous annual Water Conservation Report;
- outline how Sydney Water's water program relates to the Metropolitan Water Plan;
- include information on various measures: water leakage; volume of recycled water; quantity of drinking water drawn from all sources.

Hunter Water's current reporting manual (clause 3.2.1) sets out a requirement for Hunter Water to report on projects undertaken in the previous year to achieve the Water Conservation Target, including a description of each project and an estimate of the amount of water saved. Hunter Water must also provide a list of proposed projects. Hunter Water has generally reported on proposed projects for the following financial year.

Hunter Water does not consider that the operating licence should oblige Hunter Water to detail a water conservation plan over a five year period. Hunter Water is smaller than Sydney Water and does not have the resources to establish a program of potential projects and activities extending out more than a year or two. Hunter Water would support a Water Conservation Plan that limited reporting to the previous financial year and the upcoming financial year.

Hunter Water is also concerned by the implied requirement to report against each of the three elements of water conservation. For example, Hunter Water may not have new water recycling projects in a particular year. IPART should draft any operating licence requirement covering water conservation in a way that gives Hunter Water the flexibility to only apply the ELWC methodology to high potential projects from any of three elements.

Hunter Water does not have any concerns with reporting on the maximum reliable quantity of water that Hunter Water can derive from one year to the next, from its existing water storages, taking into account all relevant factors.

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<sup>44</sup> NSW Government, 2014, page 12.



## 5.6.2 Regularly review the ELWC methodology

Hunter Water supports the concept of detailing the ELWC methodology requirement in the reporting manual. Hunter Water recognises that it may need to amend and improve the methodology through time. The business will gain knowledge and experience each year in evaluating projects and activities using the methodology, as well as preparing the annual Water Conservation Report. Hunter Water will look to continuously improve its internal processes in applying the methodology and satisfying any reporting requirements. An approach that allows Hunter Water to make changes to the ELWC methodology throughout the operating licence period, subject to IPART approval, would minimise the costs and time of implementing improvements and fixing any shortcomings.

## 5.7 Water planning

### 7. Should the new operating licence require Hunter Water to continue to have a roles and responsibilities protocol with DPI Water, given that the development of the Lower Water Hunter Plan is complete? If so, what should be the scope of such a protocol?

*Hunter Water considers that it would be sensible to continue to formalise the relationship between the Metropolitan Water Directorate (DPI Water) and Hunter Water through a roles and responsibilities protocol. Any operating licence requirements in relation to scope should not be overly prescriptive.*

The NSW Government uses a whole-of-government approach to water planning. Water planning and policy for the metropolitan areas of Greater Sydney and the Lower Hunter is overseen by Metropolitan Water Chief Executives, with the Metropolitan Water Directorate (MWD)<sup>45</sup> leading the development of plans to respond to droughts when they occur and address water needs of each region's growth.

The 2014 LHWP is in its implementation phase. The MWD maintains its role as the lead agency in monitoring implementation of the plan, evaluating its effectiveness and developing future iterations of the LHWP. Hunter Water is responsible for operational activities under the LHWP as well as providing information for the evaluation of the plan. The roles of each organisation are outlined in a roles and responsibilities protocol. The current protocol is the second of its type, with a refresh having occurred when the LHWP entered the implementation phase.

The MWD intends to review and update the LHWP on a four to five year cycle, unless a significant issue triggers an earlier review. The next major review is scheduled to commence in 2016-17, with a likely completion date in 2019-20. Hence a review of the LHWP is scheduled to occur during the upcoming operating licence term.

Based on the current supply-demand balance, a government decision on the next supply augmentation for the Lower Hunter would be needed no later than 2023. The next major review of the LHWP will therefore need to consider supply augmentation options. It is expected that Hunter Water will contribute similar expertise to the next iteration of the LHWP as it did in the development of the inaugural release: demand forecasting, hydrological modelling and the investigation of supply and demand measures that relate to its core business.

The scope of the protocol does not need to be prescribed in the operating licence due to the nature of the LHWP. As observed by IPART:

*This plan does not impose legislative obligations on Hunter Water, rather it is a policy document.*

It is also important to ensure that any licence requirements relating to water planning are sufficiently flexible to accommodate:

- Emerging water industry changes, such as private sector participation or vertical separation of utility responsibilities.
- Changes in NSW Government policy, such as the approach to water planning or lead agency.

<sup>45</sup> The Metropolitan Water Directorate reports to the NSW Minister for Primary Industries. The Directorate leads a whole-of-government approach to water planning for greater Sydney and the Lower Hunter and provides advice on NSW urban water policy and reform.

Hunter Water is of the view that it has been useful to clarify and formalise the relationship with MWD through a roles and responsibilities protocol. To date, Hunter Water has been satisfied that the relationship works well. It is sensible to continue this practice and update the terms when the LHWP enters a new phase.



## 6 ASSETS

### 6.1 Introduction

The operating licence sets a benchmark for Hunter Water's asset management system, to ensure that assets continue to fulfil their intended functions. This section considers whether the benchmark should be updated, given recent developments in the water industry. The operating licence also sets the service levels that customers can expect from Hunter Water and its assets. The section discusses key considerations in deciding whether the current system performance standards and thresholds should be maintained or changed.

### 6.2 Asset management system

#### 6.2.1 Asset management at Hunter Water

Hunter Water's physical assets comprise multiple water and wastewater systems that are important in ensuring delivery of effective, efficient, and high quality services. Given the asset intensive nature of the organisation, asset management is critical in determining the level of service provided to customers, compliance with regulations that aim to protect the environment and human health, the price of services and financial performance.<sup>46</sup>

Hunter Water maintains an asset management system consistent with the Water Services Association of Australia's (WSAA) Aquamark benchmarking tool. The asset management system provides the framework, processes, procedures, and resources to optimally manage the asset lifecycles to achieve the agreed outcomes for customers, the environment and the community generally.

The scope of Hunter Water's asset management system incorporates both the physical assets and asset lifecycle processes required to provide the customer services of water, wastewater, recycled water and stormwater drainage.

The assets covered by the asset management system are raw water assets, treatment assets, water network assets, wastewater network assets, recycled water assets, stormwater assets, electrical assets, and telemetry and SCADA assets. Some specialised physical assets are currently managed via separate processes (e.g. information and communication technology, fleet, depots, land and property).

Hunter Water has processes in place to effectively manage the full asset lifecycle, including service planning, asset planning, asset creation, asset operation, asset maintenance and portfolio management.

Hunter Water's asset management systems have been subject to various reviews and benchmarking exercises. These reviews have found:

- Hunter Water is generally at a mature level in asset management.<sup>47</sup>
- Systems linking asset management decisions with current and future levels of service and performance are appropriate.<sup>48</sup>
- Hunter Water's asset management framework is comprehensive and supporting risk management processes are well developed. The framework already broadly aligned with the draft requirements of ISO 55000 in 2012.<sup>49</sup>

Continuous improvement is an import aspect of Hunter Water's asset management system and it strives to adopt appropriate practices as they evolve and become industry norms. This continuous improvement focus has been recognised in expenditure reviews, as reflected in the observation:

*Hunter Water has a tradition of investing in asset management initiatives and continues to seek improvements in its asset management processes.*<sup>50</sup>

<sup>46</sup> Refer to section 2.2 for a description of the regulatory framework in which Hunter Water operates.

<sup>47</sup> IWA-WSAA, 2012, page iii.

<sup>48</sup> Jacobs, 2016, page 9.

<sup>49</sup> WS Atkins, 2012, page 2.

<sup>50</sup> WS Atkins, 2012, page 2.

## 6.2.2 Asset management system standard

### 8. Is ISO 55001 the most appropriate asset management standard or is there another standard that we should consider?

*Hunter Water considers that ISO 55001 represents best industry practice for asset management.*

The ISO 55000 asset management systems series of international standards was published in 2014 and provides guidance on using a 'management systems' approach to asset management.

Predecessor guidance on good asset management practices tended to be developed and adopted on a jurisdictional basis. For example, the British Standards Institute developed a Publicly Available Specification BSI PAS 55:2008 (PAS 55) Asset Management Standard and the Water Services Association of Australia (WSAA) Aquamark benchmarking tool to provide independent assurance that asset management is carried out to an appropriate quality and to assist with identifying areas for improvement. These standards are referenced in Hunter Water's 2012-2017 Operating Licence. While ISO 55001:2014 Asset Management – Management Systems – Requirements supersedes national standards (e.g. PAS 55 as a British Standard), PAS 55 and WSAA Aquamark (or similar) are likely to remain useful performance benchmarking tools to inform continuous improvement.

Soon after release of the ISO 55000 series, Hunter Water advised IPART of its intention to transition to an asset management system consistent with ISO 55001. IPART accepted this proposal.

Hunter Water supports the preliminary view in IPART's Issues Paper that the operating licence should require an asset management system consistent with the international standard ISO 55001. This would complete the transition to a fully systems-based licence and is consistent with Hunter Water's stated intentions.

## 6.2.3 Relative merits of consistency versus certification against standard

Hunter Water has reviewed the benefits and impacts of consistency versus the certification of the asset management system relative to the Australian Standard. Hunter Water intends to obtain certification due to the broad business benefits attainable through embedding systems into Hunter Water work practices and the additional reassurance certification provides to external stakeholders.

The asset management system would be one of four certified management systems within the organisation's overall integrated quality management system. The environmental, safety and quality management systems have already been certified as consistent with Australian Standards by an appropriately qualified third party.

During the recent price review, IPART's expenditure consultants expressed doubt about the need for certification, noting that alignment with the Australian Standard may be sufficient to obtain most of the benefits:

*HW plans to achieve ISO 55000 certification to demonstrate overall good business practices. We consider that achieving such certification, or at least achieving alignment with the ISO 55000 standards and related standards, will assist in overcoming the deficiencies noted above. However, it may not be essential and cost effective to achieve certification. Achieving alignment to ISO55000 may be sufficient to meet business needs.<sup>51</sup>*

Hunter Water maintains that it is appropriate to pursue certification. Several components of its integrated quality management are already certified and periodic surveillance audits (to maintain certification) are conducted in an integrated manner. Hunter Water estimates that the incremental cost of maintaining certification of an additional management system would be relatively modest.<sup>52</sup>

<sup>51</sup> Jacobs, 2016, page 33.

<sup>52</sup> The cost of audits to maintain certification is forecast to increase from the current level of \$20,000 p.a. to \$25,000 p.a. Jacobs, 2016, page 51.

IPART's prior analysis of the benefits of certified systems remains valid:

*The potential benefits of implementing certified management systems are wide-ranging and can include efficiency and productivity gains, better levels of service and reduced risk of system failure.*<sup>53</sup>

*...certification would mean that HWC's implementation of its IQMS would be audited by management system experts, who specialise in reviewing and enforcing implementation of these systems.*<sup>54</sup>

Since IPART takes a risk-based approach to determining the scope of operational audits, and third party certification 'reduces the risk of failure' due to 'audit by experts', Hunter Water considers that the scope of IPART's annual operational audits would reduce significantly for those parts of the licence that require certified management systems. For example, IPART could observe certification and surveillance audits. Alternatively, IPART's operational auditors could review the reports of these audits rather than conduct a separate review with similar scope. Hunter Water welcomes further discussion with IPART regarding any practical issues that may be necessary to streamline the operational audit process.

Hunter Water supports IPART's preliminary view to include certification of its asset management system as an operating licence obligation.

Hunter Water notes that its original correspondence to IPART stated an intent to implement an asset management system *consistent with* the ISO 55001 Standard by 1 July 2017, and had not referenced certification.<sup>55</sup>

Hunter Water recommended that IPART allow at least one year in the next operating licence for Hunter Water to obtain certification. This timeline would be consistent with the IPART's recommended approach for Sydney Water's 2015-2020 Operating Licence.<sup>56</sup>

## 6.3 System performance standards

### 10. What are your views on maintaining or changing the Water Pressure Standard, the Water Continuity Standard and the Wastewater Overflow Standard, given that Hunter Water has consistently and significantly performed better than the target thresholds?

*Hunter Water is of the view that the current system performance standard and thresholds should be maintained for the next operating licence.*

The operating licence sets the service levels that customers can expect from Hunter Water in three areas:

- water pressure standards
- water continuity standards, and
- sewer overflow standards.

Hunter Water's performance against the licence limits is shown in

<sup>53</sup> IPART, 2012, page 8.

<sup>54</sup> IPART, 2012, Appendix C page 10.

<sup>55</sup> IPART, 2016(c), page 24.

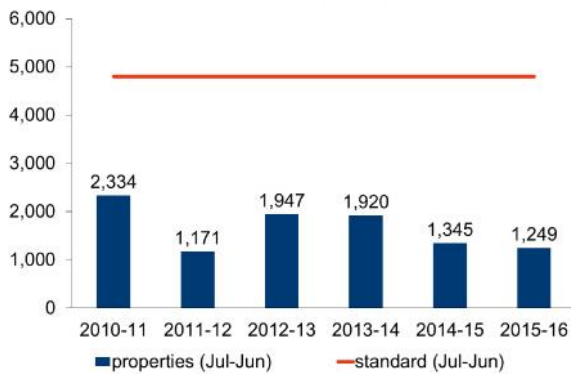
<sup>56</sup> Sydney Water, 2015(a), clauses 4.1.1 and 4.1.2, page 9.

Figure 6.1 for each year since 2010-11 when the standards were first introduced. Hunter Water has performed strongly throughout the term of the 2012-2017 Operating Licence against all of the standards.

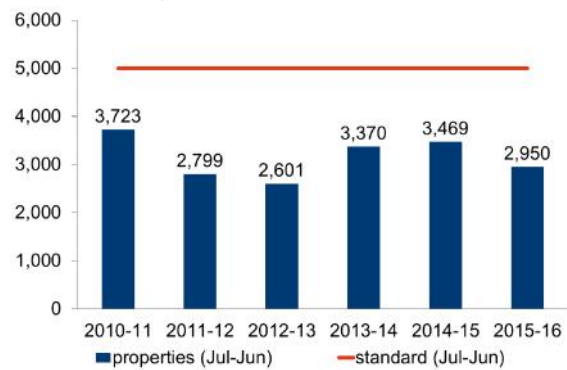
Hunter Water controls some of the factors that affect performance, including asset condition, asset configuration and operational practices. Weather conditions are also crucially important. The key drivers of performance against each standard are outlined in section 6.4.

**Figure 6.1 Performance against system performance standards**

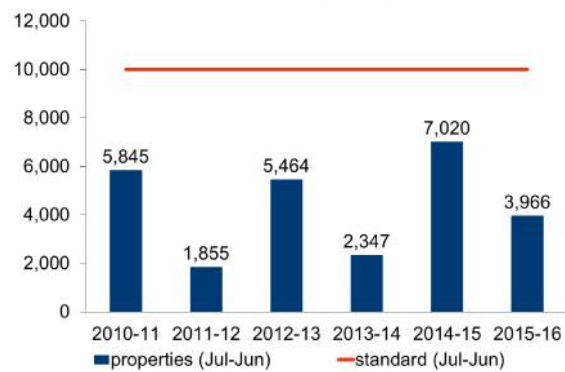
*Hunter Water must ensure that no more than 4,800 properties experience a water pressure failure in a financial year (Water Pressure Standard).*



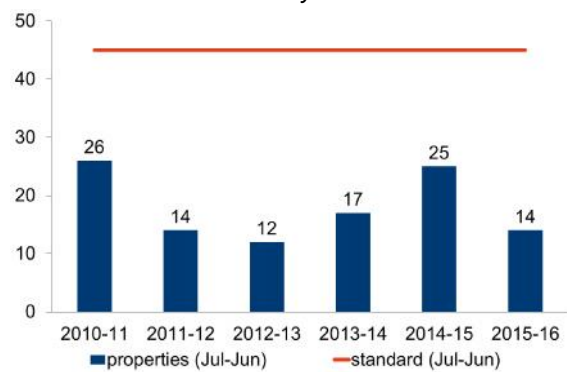
*Hunter Water must ensure that in a financial year no more than 5,000 properties (other than public properties) experience an uncontrolled wastewater overflow in dry weather.*



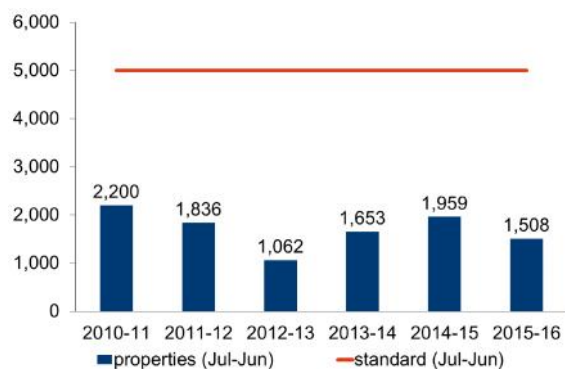
*Hunter Water must ensure that in a financial year no more than 10,000 properties experience an unplanned water interruption that lasts more than 5 continuous hours.*



*Hunter Water must ensure that in a financial year no more than 45 properties (other than public properties) experience 3 or more uncontrolled wastewater overflows in dry weather.*



*Hunter Water must ensure that in a financial year no more than 5,000 properties experience 3 or more unplanned water interruptions that each lasts more than 1 hour.*



Source: Hunter Water.

Hunter Water considers that there are four broader factors to take into account when considering performance standards.

1. Hunter Water's 2015 price submission assumed that there would be no substantive changes to the system performance standards.
2. Forecast growth in new connections and water consumption over the next five years means that there is a natural tightening of the system performance standards each year.
3. Further engineering investigations are required to understand the investment required to achieve different performance levels.
4. Further engagement with customers is required to understand their preferences and values.

These factors discussed in more detail in the following sections.

## 6.3.1 Hunter Water's expenditure programs

Hunter Water's 2015 price submission proposed modest real increases in capital and operating expenditure for the 2016-2020 price period, noting that Hunter Water remained focused on complying with the system performance standards contained within the operating licence and other regulatory requirements.<sup>57</sup> Hunter Water observed:

*To further reduce the proposed capital and operating programs beyond that proposed by Hunter Water could potentially lead to Hunter Water breaching its operating licence. Hunter Water closely monitors performance and is able to address any risks of non-compliance that emerge through time as part of the annual planning process for the rolling ten-year capital expenditure program.<sup>58</sup>*

Hunter Water's proposed four-year capital portfolio, a subset of the ten year program, was based on Hunter Water's Strategic Business Plan, which sets the risk profile and service levels for the business, subject to consideration of affordability to customers. The 2015 price submission described a process that takes into account regulatory compliance requirements, including system performance standards. Other key drivers include population growth projections, renewal strategies, maintenance strategies, critical asset management strategies and long-term infrastructure investment strategies. The final stage in developing the capital portfolio involves a bottom-up approach to determine the projects and programs required to deliver on the strategic objectives.

Hunter Water's 2015 price submission proposed a total capital expenditure program of \$389 million over the four years to 2019-20. This was a slight increase on current levels: \$97 million per annum over the 2016 determination period compared with \$95 million per annum in the 2013 determination period (\$2015-16).

IPART's 2016 Final Determination adopted all of the expenditure consultant's recommended capital expenditure cuts, with the exception of one project, resulting in a total reduction of \$23.2 million or 6 per cent.<sup>59</sup>

Hunter Water has demonstrated its commitment to balancing its expenditure with customer affordability by undertaking substantial cuts in its capital expenditure program across the ten-year period from 2009-10 to 2019-20 (see Figure 6.2). High levels of investment in the period 2009-10 to 2013-14 have been halved, followed by a period of consolidation where Hunter Water spent near or below \$100 million per annum, including the commissioning of capital projects approved in earlier years. IPART's 2016 Price Determination (final column) has further reduced Hunter Water's capital program, limiting Hunter Water's capacity to respond to any tightening of threshold levels.

## 6.3.2 Costs and benefits of tighter targets

Any IPART recommendation to lower the target levels for one or more of the system performance standards would increase the likelihood of a breach of the operating licence. Hunter Water has not proposed any change to the current system performance standards and has not attempted to identify or quantify additional capital works necessary to achieve tighter target levels.

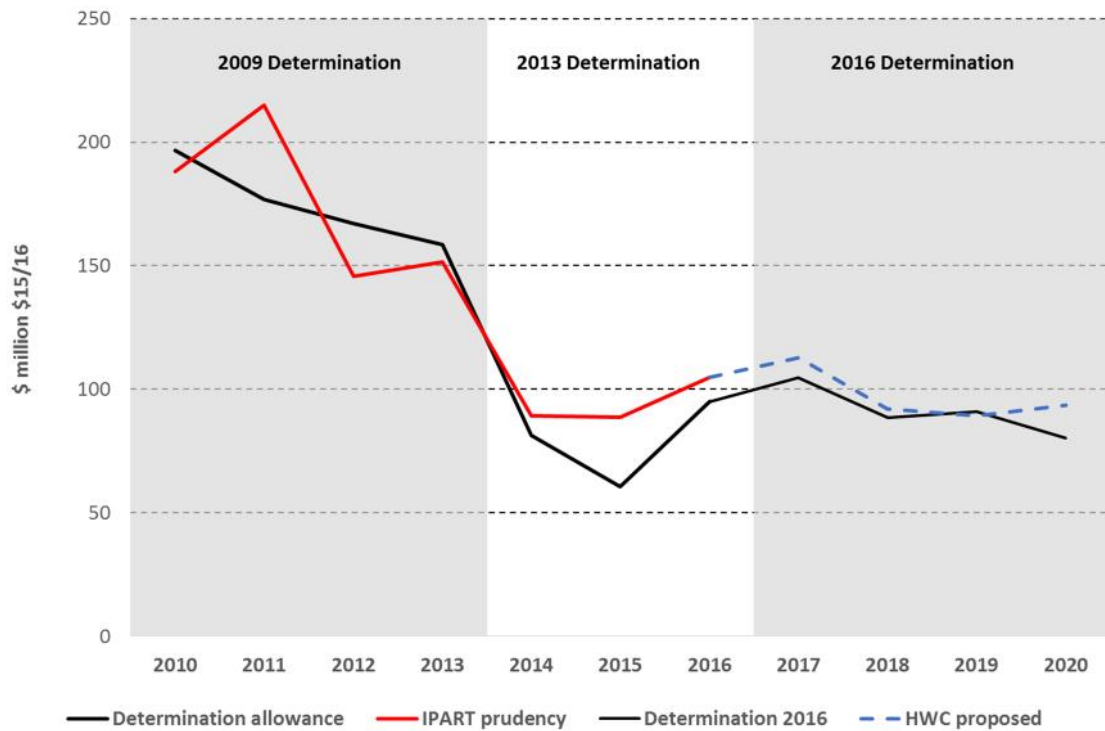
<sup>57</sup> Hunter Water, 2015(b), pages 39 and 45.

<sup>58</sup> Hunter Water, 2015(b), page 18.

<sup>59</sup> IPART, 2016(d), page 56.

Hunter Water understands that IPART would subject any change to the system performance standards to a robust cost-benefit analysis. Such an assessment would need to quantify likely costs associated with additional capital works necessary to stay within a lower fixed target over the operating licence period, based on an engineering study of Hunter Water's water or sewerage systems. IPART would also need to demonstrate the incremental benefits for customers, based on a measure of willingness to pay, were sufficient to recommend a change to the standards.

**Figure 6.2 Capital expenditure trends**



Source: IPART, 2013 and IPART, 2016(b). Hunter Water analysis.

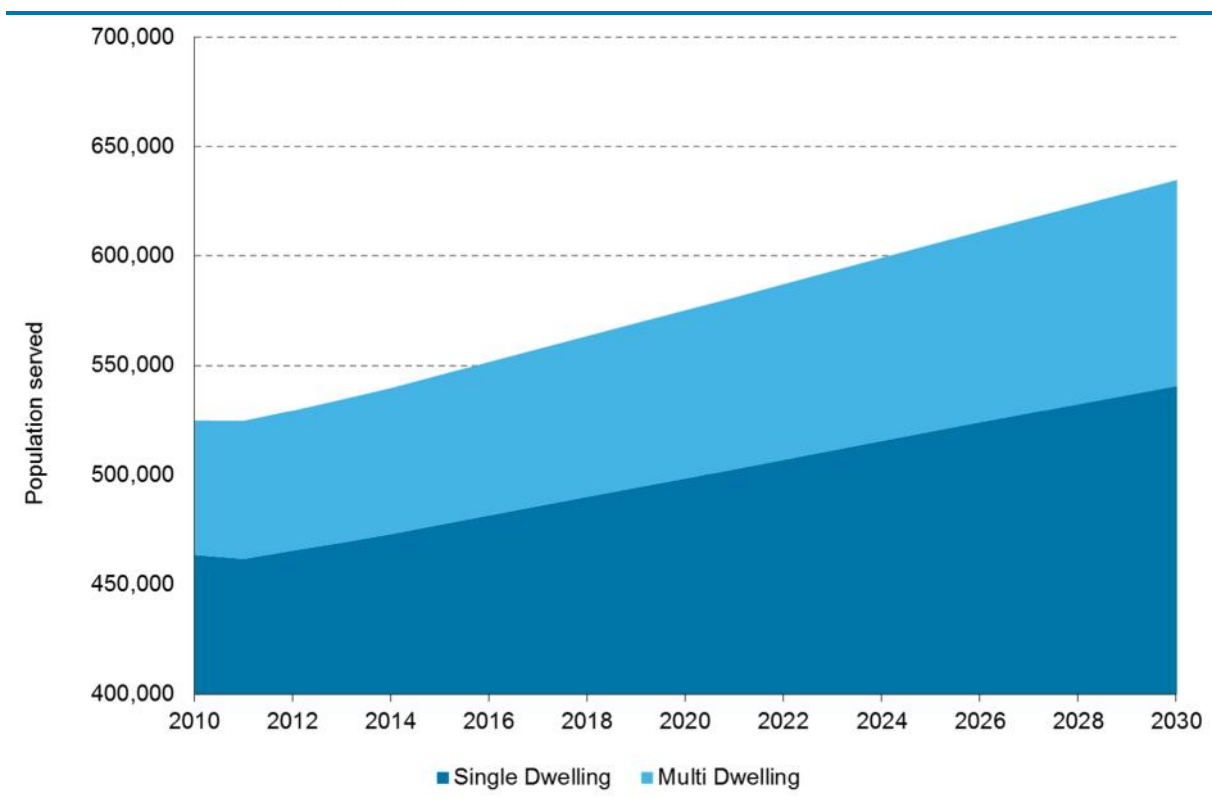
## 6.3.3 Population and demand growth

The residential population in the Lower Hunter has grown at a reasonably consistent rate of 1.1 per cent per annum over the last 25 years. Hunter Water expects the residential population to increase from around 564,000 people in mid-2016 to 588,000 people in mid-2020 (see Figure 6.3).

Hunter Water's 2015 price submission forecast connection growth to continue at the historic rate of around 2,900 properties per annum. This equates to an annual increase in residential water and sewerage customers of 1.3 per cent and 1.2 per cent, respectively. IPART's 2016 Determination adopted Hunter Water's forecasts for residential and non-residential customer connections.

Hunter Water's 2015 price submission forecast an increase in water consumption of 3.6 per cent over the period to 2020-21



**Figure 6.3**      **Projected population served**

**Source:** Hunter Water.

IPART's Issues Paper notes that the current performance standards are fixed target levels expressed as the number of properties affected, and the number of properties has increased every year while the target level was held constant. IPART acknowledges that Hunter Water's performance, in percentage terms, has improved given the growth in the number of serviced properties.<sup>60</sup> Hunter Water agrees with this analysis and also observes that leaving the current target level settings would result in tighter standards in the future as connections and overall consumption increase over a five year operating licence period.

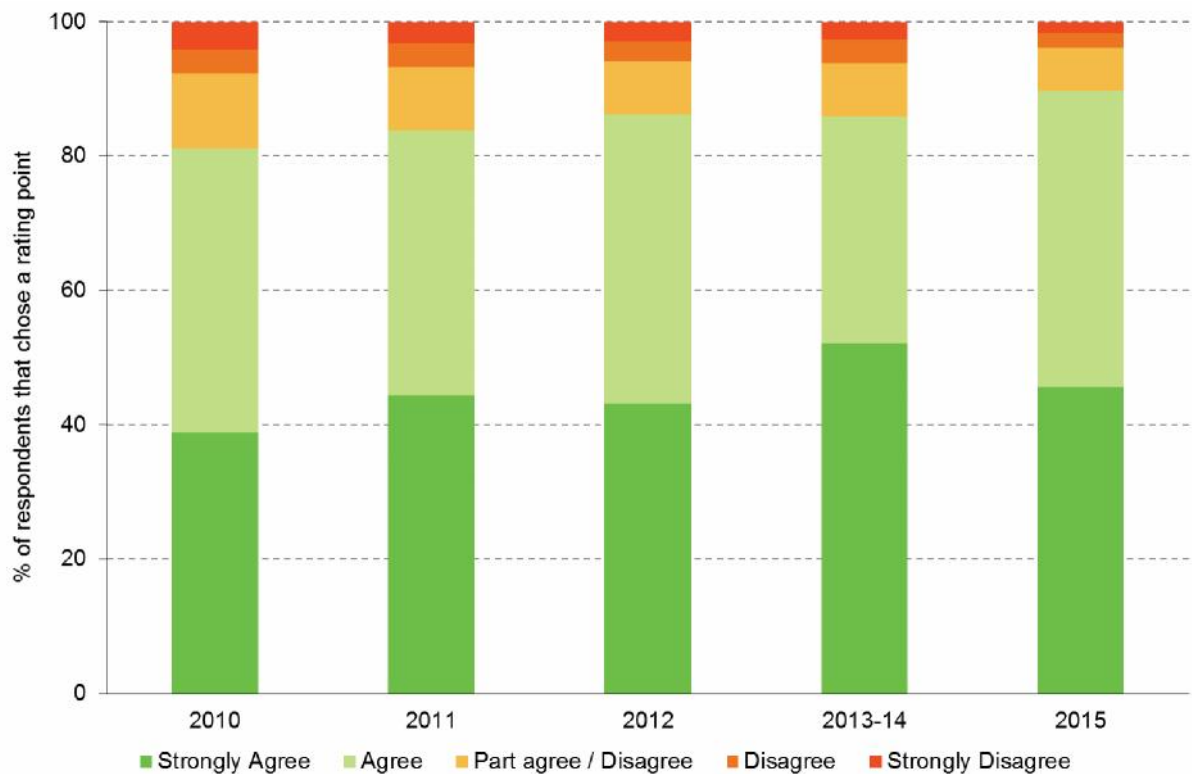
#### 6.3.4 Customer views on service levels and affordability

Hunter Water undertakes periodic customer surveys to provide insights into customer views about the quality of services that Hunter Water provides, and the affordability of those services. A high proportion of customers are satisfied with the current levels of service provided by Hunter Water in relation to water pressure, water continuity and sewage overflows (see Figure 6.4, Figure 6.5 and Figure 6.6). Hunter Water observes that reported customer satisfaction levels have consistently improved in recent years.

<sup>60</sup> IPART, 2016(c), page 29.



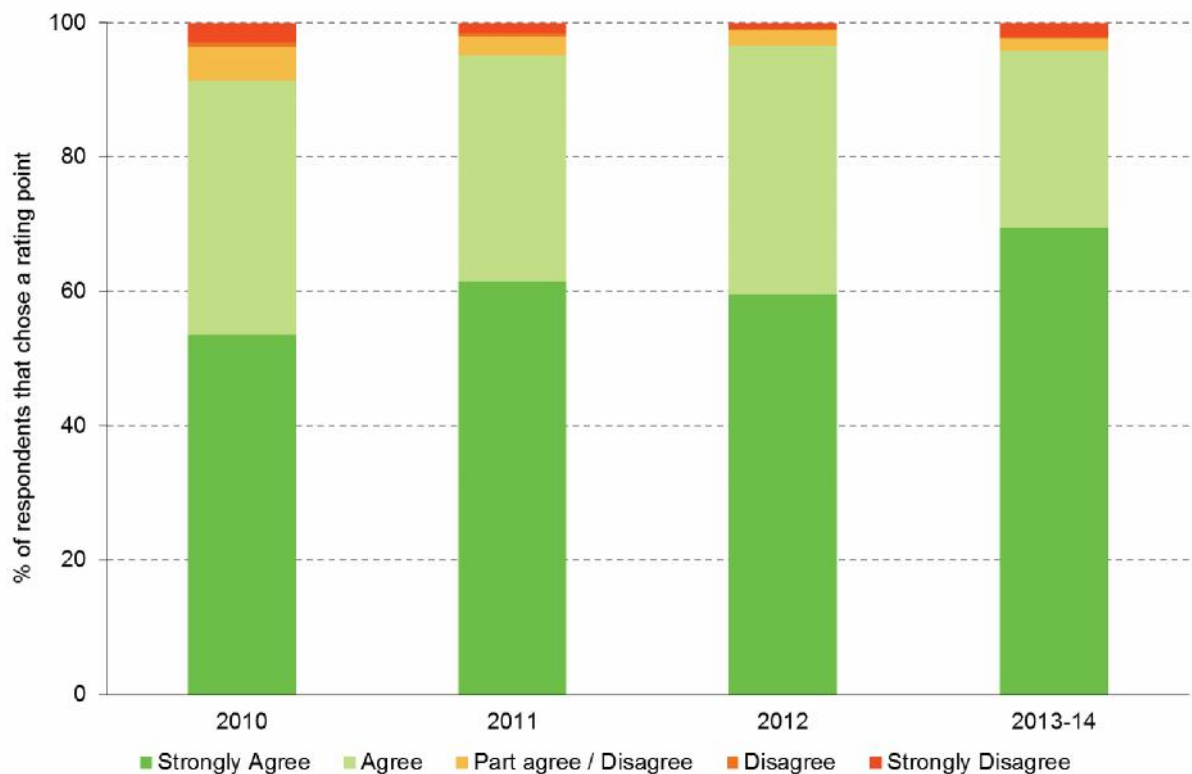
**Figure 6.4 Customer views on water pressure**



**Source:** Data from Australian Survey Research Group, 2010(a); Australian Survey Research Group, 2011; Australian Survey Research Group, 2013; Insync, 2014; Insync, 2015. Hunter Water analysis.

**Note:** Survey statement "Hunter Water maintains acceptable water pressure to my residence".

**Figure 6.5 Customer views on water continuity**



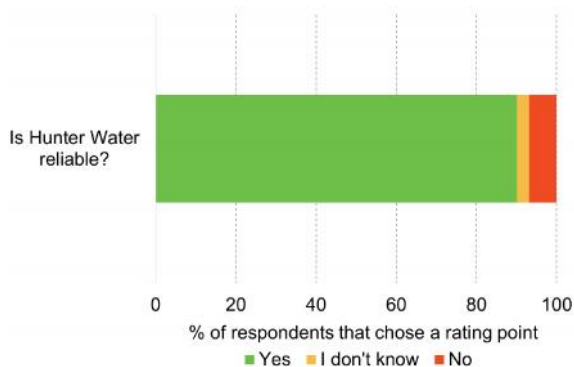
**Source:** Data from Australian Survey Research Group, 2010(a); Australian Survey Research Group, 2011; Australian Survey Research Group, 2013; Insync, 2014. Hunter Water analysis.

**Note:** Survey statement "Hunter Water supplies continuous water to my residence".

Hunter Water has also sought customer views on whether customers are prepared to trade off service performance and affordability; lower bills but poorer service levels. The customer engagement study found:

*At 69.1% in favour of the status quo, this extra expenditure is strongly supported. In focus groups, participants didn't put it succinctly, but the consensus appeared to be that this expenditure was a small marginal increment on bills that bought them insurance that they valued very highly.<sup>61</sup>*

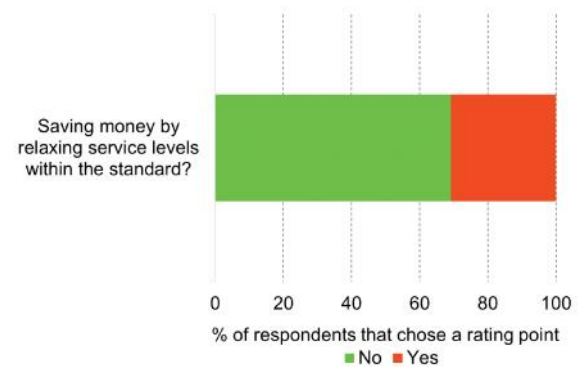
**Figure 6.6** Customer views on reliability of services



**Source:** Insync, 2012. Hunter Water analysis.

**Note:** Survey question “Does Hunter Water provide a reliable water/sewerage service? Definition: Reliable means if you rarely experience events such as low water pressure, unplanned water interruptions or sewerage spills.”

**Figure 6.7** Trade-off between service levels and affordability



**Source:** Insync, 2012. Hunter Water analysis.

**Note:** Survey question “Hunter Water would like to know whether you want them to spend less money instead of continuing to perform at a level better than the standards. This would mean these problems are likely to occur more often and may affect more properties. It would also mean that these savings would be passed back to you. Would you like Hunter Water to make these savings in the knowledge that the chance of you being affected by a leak or interruption will increase slightly?”.

## 6.4 Analysis of each system performance standard

IPART's Issues Paper details Hunter Water's performance over recent years against each of the standards. IPART notes that Hunter Water has generally performed well within the target level for all five standards. IPART suggests that this could mean that each is standard is either too generous or that Hunter Water is spending too much money to meet and exceed the standard.<sup>62</sup> Such a statement assumes that all factors affecting performance are within Hunter Water's control, which is not the case.

IPART describes the limit set within each standard as a target level. IPART also recognises that a failure to meet the target level would constitute a breach of the operating licence, resulting in reduced compliance grades, enforcement actions or penalties.<sup>63</sup> Hunter Water considers that each target level is a hard limit for the business. Hunter Water makes investment decisions and deploys operational resources in an effort to ensure that performance outcomes remain within the target levels.

<sup>61</sup> Insync, 2012, page 17.

<sup>62</sup> IPART, 2016(c), pages 25 to 27.

<sup>63</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.

Hunter Water outlines some of the key considerations in setting limits for performance standards for water pressure, water continuity and sewage overflow in the following sections.

## 6.4.1 Water Pressure Standard

Hunter Water's performance against the Water Pressure Standard is dependent, in large part, on the weather conditions during any particular year. In those years with higher rainfall, particularly during summer, water demands are lower, resulting in a lower count against the standard. Hunter Water contends that the limit on the maximum number of affected properties for the Water Pressure Standard needs to take into account those years where local conditions are hot and dry.

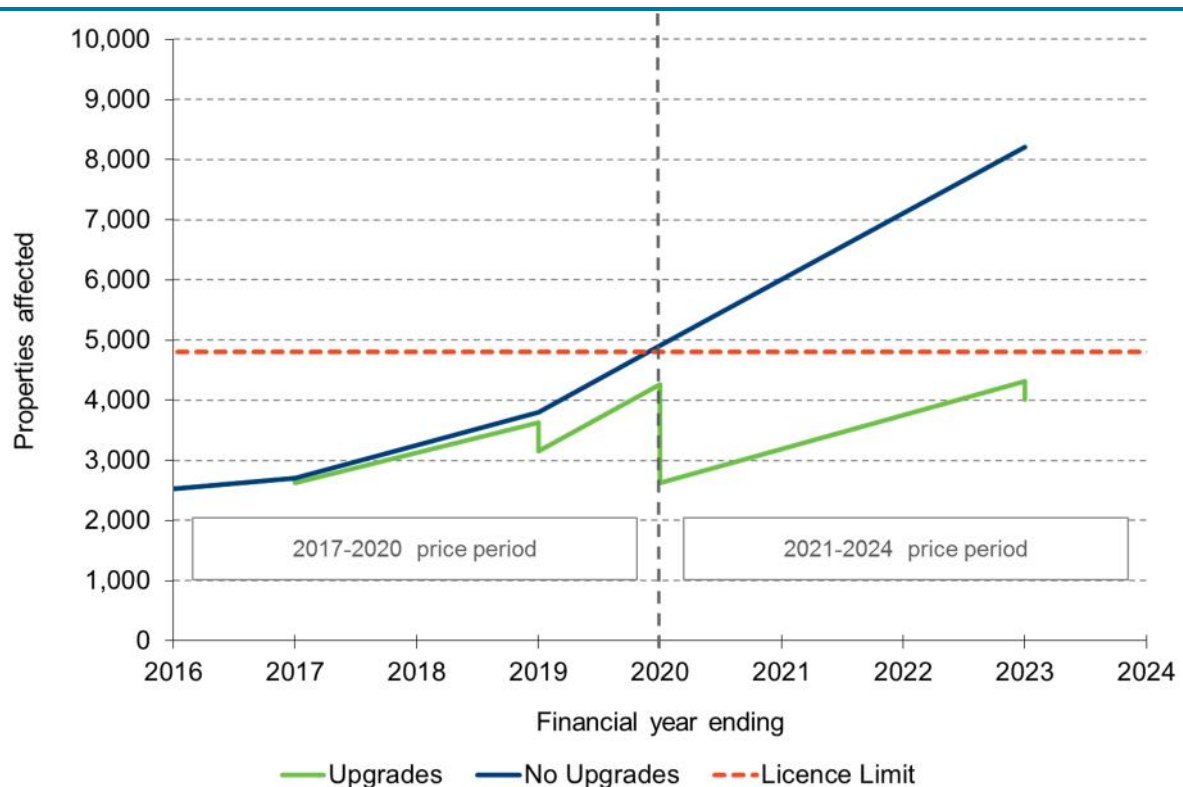
Hunter Water has reduced its capital expenditure over recent years in consideration of customer affordability (as described in section 6.3.1 and shown in Figure 6.2). Hunter Water has reprioritised projects and programs, resulting in a lower allocation for works to water distribution projects than in previous years. Consequently, Hunter Water expects the 'headroom' in the Water Pressure Standard licence to reduce through time.

Hunter Water's internal modelling forecasts that Hunter Water would exceed the target level in the Water Pressure Standard in 2019-20, assuming a hot and dry year, existing distribution system capacity and no further capital upgrades (see Figure 6.8).

Hunter Water's modelling of water pressure performance in the water distribution network improves as new projects and upgrades are commissioned in 2018-19 and 2019-20. The modelling also shows a gradual decay in performance in all other years due to growth in connected properties. Hunter Water would have to reconsider its capital works program over the next operating licence period if IPART decided to tighten the target level for the Water Pressure Standard.

Hunter Water does not propose any change to the Water Pressure Standard measure.

**Figure 6.8 Forecast Water Pressure Standard count**



Source: Hunter Water.

## 6.4.2 Water Continuity Standard

Hunter Water proposed a substantial cut to its capital works program as part of IPART's 2012-13 price review process. Hunter Water acknowledged the need to ensure affordable prices for customers and improve its financial position by limiting expenditure.

By reducing the capital program, Hunter Water made a decision to reduce expenditure on watermain replacements (both small and large mains) in the knowledge that the performance against the water continuity standards was likely to deteriorate in future years. Hunter Water anticipates an increase in the number of reportable water interruptions over the next 5 years, dependent on trunk main failure performance.

Hunter Water's maintenance program is targeted at lifecycle cost minimisation. Asset replacement work is planned on the basis of cost effectively reducing repeat asset failures and associated maintenance costs, rather than improving service standard performance.

Actual water continuity service performance is based on a multiple of interactions between asset performance (asset failures), work practice performance (failure response time and system operation) and weather performance (rain and dry periods). Asset performance also depends on a combination of different asset failure impacts:

- Smaller size watermains (small impact but higher frequency).
- Large trunk main failures (large impact but lower frequency, exacerbated when a discrete geographic area is serviced by a single trunk watermain).
- Pump station outages (either mechanical-electrical failure or power outages).

Hunter Water makes the following observations about past water continuity service performance:

- The reduction in small watermain failures in the period 2002 to 2007 (2,050 to 1,500) has stabilised at around 1,500 breaks and leaks per year. This has held steady except for 2011-12, which reduced to approximately 1,250 failures.
- A reduction in trunk main failures has reduced the number of discontinuities impacting a large number of customers. Hunter Water did replace a number of high risk trunk mains from 2006-2012, however no further replacements have occurred in the last 4 years.
- Hunter Water has improved the operational control centre and the job dispatch process, enabling early identification and resolution of failures to minimise discontinuities with the five hour licence limit.

While Hunter Water has performed well against the two Water Continuity Standard measures, there remains an underlying performance vulnerability:

- From 2013, Hunter Water reduced the capital program for investment in small watermains and trunk main replacements by more than 50 per cent and 80 per cent, respectively. Hunter Water expects these expenditure reductions will result in a deterioration in performance over a five to ten year period. Hunter Water expects an increase in small watermain failures, and that trunk mains failures and impacts will return to a similar frequency to the level experienced pre-2007.
- Performance against the Water Continuity Standard is sensitive to large trunk main failures. These can impact thousands of customers in a single failure event (e.g. approximately 6,000 customer were impacted in 2003-04 from a one-off trunk main failure in Teralba). Major failure events can occur on old brittle cast iron trunk mains, the asset type for approximately 50 per cent of operational trunk mains (610 kilometres). Vulnerable mains can fail without warning, depending on time of day and year. When this events occur, they almost always result in major outages extending beyond a five-hour duration.
- Hunter Water implements a condition assessment, reliability strategy and contingency planning approach to renewals planning. Given the proposed level of capital investment, there remains a vulnerability to trunk main failures leading to major discontinuity events impacting a large number of customers.
- Hunter Water has previously experienced increased pipeline failures (small and large mains) during extended dry conditions as a result of clay soil contraction. The weather conditions have been mild over the past 10 years, with short dry spells of a few months or consistent rain events. An extended

dry period of four to six months, combined with trunk main failures, could result in a much a higher discontinuity count.

Hunter Water recognises that it has performed well within the target levels for the Water Continuity Standard for many years. Hunter Water contends that this is due to favourable weather conditions, reduced trunk main failures incidents compared with existing vulnerabilities, and improved operational and maintenance work practices. Hunter Water has planned for, and expects a deterioration in, performance over the next five years, which will absorb some of the apparent 'headroom'.

Hunter Water does not propose any change to the Water Continuity Standard measures.

### 6.4.3 Sewage Overflow Standard

Hunter Water made substantial cuts to its capital program for sewermain replacements and rehabilitations (both small and large mains) in 2013, recognising the scope to use some of the headroom in the Sewage Overflow Standard measures.

Hunter Water notes that performance against the Sewage Overflow Standard deteriorated from 2,601 in 2012-13 to 3,489 in 2014-15. Hunter Water anticipates this trend to continue over the next 5 years, dependent on weather conditions.

Hunter Water has targeted its capital expenditure and maintenance programs on lifecycle cost minimisation. Sewermain replacement work focuses on cost effectively reducing repeat asset failures and associated maintenance costs.

Hunter Water challenges IPART's suggestion that good performance over the past eight years means there is little risk of failing the Sewage Overflow Standard.

- The system performance standard focuses on customer service performance and impacts of sewage overflows on private properties. Environmental Protection Licences also place obligations on Hunter Water regarding the proper and efficient operation of the entire sewerage system. This has an influence on performance against the overflow service performance targets.
- Performance against this standard is significantly influenced by weather patterns, with a majority of sewer overflows caused by sewer blockages from tree root intrusions. These occur due to tree roots seeking both water and nutrients through cracks in the sewer network. Hunter Water has experienced favourable weather conditions over recent years – consistent wet weather events and limited extended dry periods.
- Large wet weather events (east coast lows and storm events) help Hunter Water identify and clear blockages. This results in fewer dry weather overflows and improved standard performance.
- Hunter Water has improved its operational control centre practices and the job dispatch process, enabling early identification of problems and prioritised resolution of failures.

Hunter Water recognises that it has been performing well within the Sewage Overflow Standard, but argues that this is due in large part to favourable weather conditions, and improved operational and maintenance work practices.

An increase in the number of counts against the Sewer Overflow Standard has been experienced over the last few years and it is expected that performance will continue to deteriorate over the next five years, subject to weather conditions.

Hunter Water does not propose any change to the Sewer Overflow Standard measures.



## 7 CUSTOMERS AND CONSUMERS

### 7.1 Introduction

The operating licence sets out conditions relating to community consultation, customer and consumer rights, customer complaints and dispute handling.

### 7.2 Customer Contract

**16. What are the factors that we should consider, in the context of Hunter Water's operating environment, when considering changes to the customer contract. The changes being considered (for consistency) reflect recent changes that were made to Sydney Water's customer contract?**

*Hunter Water has provided a proposed Customer Contract in Appendix B.*

#### 7.2.1 Summary of proposed amendments

The proposed Customer Contract changes are focussed on making the contract easier to understand, ensuring consistency with current legislation, improving clarity and providing flexibility where it is mutually beneficial to Hunter Water and its customers. For example, the order of sections has been changed for ease of reading and to make the Customer Contract more consistent with Sydney Water's Customer Contract.<sup>64</sup>

The main changes in the proposed Customer Contract compared with the current Customer Contract are:

- Simpler structure and more logical sequencing of clauses. Cross references between current and proposed clauses are provided in Appendix A.
- Improved clarity in relation to provisions that:
  - Do not extend to non-standard customers that are subject to separate agreements; or
  - Apply specifically to 'drinking water', reticulated 'recycled water' or both.
- Updated communication channels and methods for customers to obtain information, including via Hunter Water's website and a General Enquiry Process rather than telephoning.
- Updated maintenance responsibility descriptions and diagrams that accord with recently developed Connections Standards and planning decisions regarding pressure sewer systems. The updates also address challenges with the current Customer Contract raised in customer enquiries or complaints.
- A mechanism to suspend affected obligations for unusual events beyond Hunter Water's reasonable control.
- Reference to an 'insolvency event' as an enabler to mitigate losses and potentially recover debt from non-residential customers.
- Strengthened rebate clauses (wastewater overflows and low drinking water pressure).
- Updated references to policies and standards under Hunter Water's new document hierarchy.
- Removed duplicate or obsolete references and generally ensuring that the document references current practices whilst maintaining sufficient flexibility appropriate for its term of at least five years.
- Amendments to existing, and addition of new, definitions and interpretations.

The changes in the proposed Customer Contract are described in further detail in Appendix C.

<sup>64</sup> Sydney Water is the only other major urban public water utility in NSW with an operating licence and retail responsibilities.



## 7.2.2 Late payment fee

IPART aims to introduce greater consistency in the licensing of major water utilities as part of this review.<sup>65</sup> One of the recent changes made to Sydney Water's Customer Contract was the introduction of an ability for IPART to set a late payment fee for overdue account balances.<sup>66</sup>

IPART formed the opinion that, in order to charge a late payment fee, two conditions would need to be fulfilled:

1. A clause would need to be included in the Customer Contract.
2. Sydney Water would need to propose, and IPART would need to specify, the amount, terms and conditions as part of a price review.

The Premier asked IPART, *under section 12A of the Independent Pricing and Regulatory Tribunal Act 1992*, to undertake a periodic investigation and report on the maximum late payment fee to be charged by Sydney Water. The review was undertaken concurrently with Hunter Water and Sydney Water's price reviews.<sup>67</sup>

Hunter Water did not seek a late payment fee in its 2015 price submission to IPART and is not seeking an ability for IPART to set a late payment fee for overdue account balances as part of this review of its Customer Contract.

Consistency between major urban water retailers in New South Wales can have advantages but it is not necessary for regulatory provisions to be identical. Context-specific considerations in relation to late payment fees include:

- Sydney Water's larger customer base means they are able to generate material revenue from a modest fee.
- Late fees can also be an effective prompt for early, or on time, payment. Conversely, late fees may generate additional customer questions and complaints, with associated administrative costs.

Hunter Water's preference is to monitor Sydney Water's implementation of a late payment fee and reconsider the issue at the next operating licence review.

## 7.2.3 Service rebates

IPART established Hunter Water's current rebate structure in 2011, making a number of substantial changes at that time, including:

- Alignment of eligible event categories with system performance standards. Performance monitoring data therefore serves multiple purposes, which minimises costs and workload. A comparison between service rebate events, system performance standards and performance indicators is provided in Table D.1 in Appendix D.
- Setting rebate levels on the basis of level of inconvenience caused, as gauged in a customer survey.
- Linking rebate levels to water usage charges so that the affected occupant would be compensated for inconveniences caused by service shortfalls and customers experiencing financial hardship would be supported (often these are tenants).

Rebates in Hunter Water's area of operations mainly serve as a method of compensating customers who experience a reduced level of service from time to time (because the expenditure required to address the cause of rebates is disproportionately large, resulting in weak incentives to prevent service failures or events).

<sup>65</sup> IPART, 2016(c), page 2.

<sup>66</sup> IPART, 2015(b), page 24 and Appendix D, pages 8, 49, 52 and 53. Sydney Water Customer Contract clause 4.4.5.

<sup>67</sup>

[http://www.ipart.nsw.gov.au/Home/Industries/Water/Reviews/Metro\\_Pricing/Review\\_of\\_prices\\_for\\_Sydney\\_Water\\_Corporation\\_from\\_1\\_July\\_2016](http://www.ipart.nsw.gov.au/Home/Industries/Water/Reviews/Metro_Pricing/Review_of_prices_for_Sydney_Water_Corporation_from_1_July_2016)



Hunter Water's view is that rebates should be provided for events that cause inconvenience to customers, be set at a level proportionate with the extent of inconvenience and the recipient should be the occupant (rather than the account holder, *per se*). IPART has previously expressed support for this approach:

*Because the cost of providing rebates is borne by Hunter Water's customer base we consider there are strong arguments for providing rebates only where customers are inconvenienced.*<sup>68</sup>

For this review, Hunter Water assessed its service rebates based on insights from implementing the current Customer Contract and comparison with industry trends.

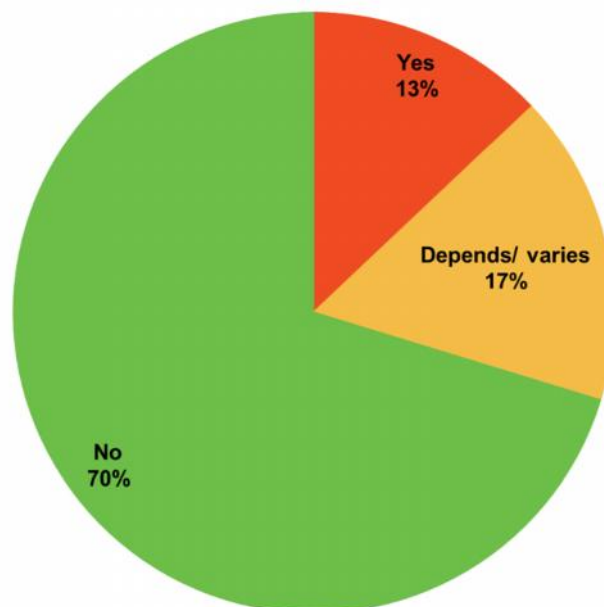
Hunter Water's current rebate event categories and rebate levels are broadly consistent with other major Australian water utilities, such as Sydney Water, Icon Water, Yarra Valley Water, South East Water and the Water Corporation. As expected, Hunter Water's rebates are most closely aligned with Sydney Water's rebates. Sydney Water's rebate levels are multiples of \$35 and are adjusted at each operating licence review rather than adjusting for inflation each year. Hunter Water's rebates are based on multiples of 15 kilolitres of water usage (currently \$33.75) and automatically adjust each year in line with price movements.

Hunter Water's proposed changes to service rebates are described below. Existing service rebates that it proposes to retain unchanged are not listed below but are included in the proposed Customer Contract in Appendix B.

## Rebate for planned water interruptions

At the last review of the Customer Contract, Hunter Water proposed removal of the rebate for planned water interruptions because there is no system performance standard for planned interruptions. It was considered reasonable to interrupt customers' water supply for a limited time to perform essential maintenance or upgrading of assets without compensating customers with a rebate, so long as adequate notice is provided to customers and the interruption is not excessive in duration. This view was confirmed in the customer survey, which found that very few respondents (13%) expected a rebate when at least two days' notice was provided (as required under the Customer Contract)(see Figure 7.1) and most respondents said they would be not inconvenienced or only slightly inconvenienced in this situation (see Figure 7.2).

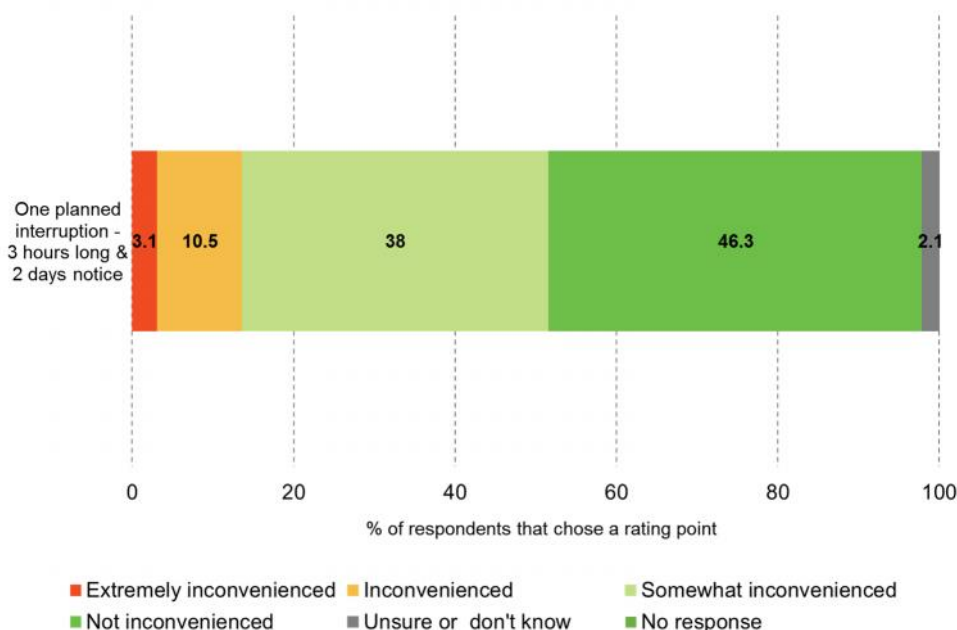
**Figure 7.1 Customer expectation of a rebate for planned water interruptions**



**Source:** Australian Survey Research Pty Ltd, 2010(b).

**Note:** Survey question "Would you expect a rebate for a planned water interruption if you are given at least two days notice?"

<sup>68</sup> IPART, 2011(c), page 7.

**Figure 7.2 Customer inconvenience due to a planned water interruption**

**Source:** Australian Survey Research Pty Ltd, 2010(b).

**Note:** Survey question "How inconvenienced would you be if you experienced one planned water interruption (no water from your taps) of about 3 hours, where at least 2 days notice is provided in a 12 month period?"

The Energy and Water Ombudsman of NSW (EWON) and Public Interest Advocacy Centre (PIAC) presented a view that customers are inconvenienced by long duration interruptions and that Sydney Water offers a rebate for each event exceeding 5 hours duration.<sup>69</sup> IPART accepted Hunter Water's revised proposal to provide a rebate to customers who experience 3 or more planned water interruptions in a financial year, each exceeding 5 hours in duration.<sup>70</sup>

Hunter Water has not issued any rebates for this event category over the last four years.

Hunter Water proposes to retain the rebate for planned drinking water interruptions with the refinement of only applying during peak hours. The amendment would align the time of day with unplanned interruptions, which reflects when customers have indicated that they are most inconvenienced. It would also improve alignment with an IPART performance indicator, which minimises any additional administrative cost.<sup>71</sup>

**Table 7.1 Comparison of current and proposed rebate for planned water interruptions**

| Current criteria  | Proposed criteria  | Rebate         |             | Eligibility |
|---|--|----------------|-------------|-------------|
|   |  | (kL allowance) | (\$2016-17) |             |
| Three or more interruptions, each exceeding five hours. | Three or more interruptions <u>between 5am and 11pm</u> , each exceeding five hours. | 15             | 33.75       | Automatic   |

Notes:

- a) If the notification period is less than the minimum required in the Customer Contract then the interruption becomes classified as 'unplanned'. Similarly, if the timeframes included in the notification are exceeded then the interruption becomes classified as 'unplanned'.

<sup>69</sup> IPART, 2011(c), page 6.

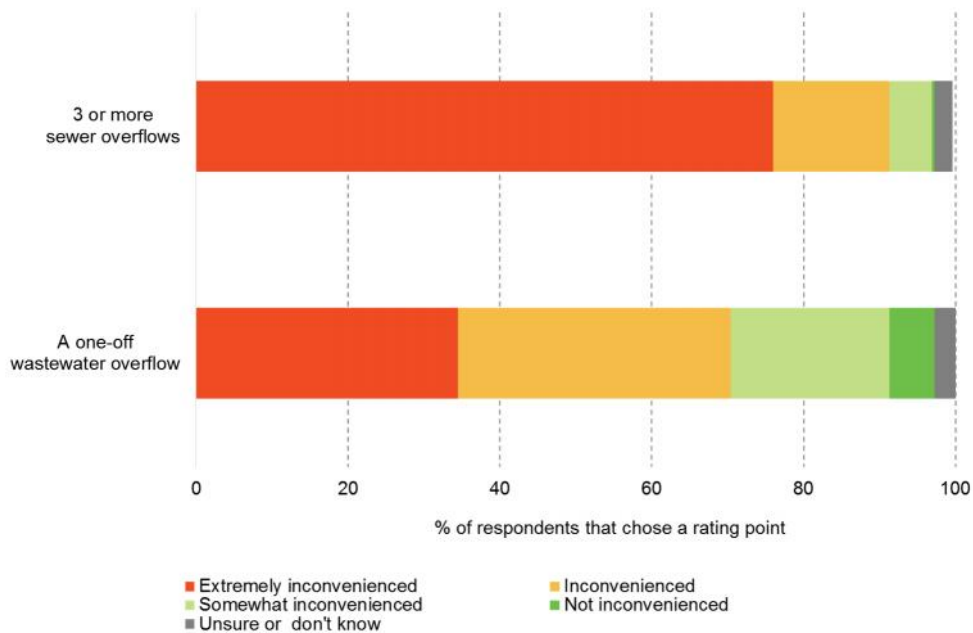
<sup>70</sup> IPART, 2011(c), page 7.

<sup>71</sup> IPART Infrastructure Indicator I 4 (H) – The number of residential properties affected by planned water supply interruptions in peak hours (5am – 11pm). See Appendix D.

### Rebate for wastewater overflows

Wastewater overflows on private property are the most inconvenient service event, as shown through a customer survey and experience from direct customer contacts to Hunter Water.

**Figure 7.3 Customer inconvenience from a dry weather wastewater overflow**



**Source:** Australian Survey Research Pty Ltd, 2010.

**Notes:** Survey questions "How inconvenienced would you be if you experienced a one-off sewer overflow within a 12 month period?"; "How inconvenienced would you be if you experienced 3 or more sewer overflows within a 12 month period?"

Hunter Water currently provides a small rebate on the first event in a financial year, no rebate on the second event, a large rebate on the third event and no rebate thereafter (see Table 7.2). The total rebate to a customer experiencing three or more events would then be 150 kilolitres of water usage or \$337.50, which is about half of the annual wastewater service charge for a house. In comparison, Sydney Water provides \$60 on the first event in a financial year and a rebate equal to the whole annual wastewater service charge on the second event (less any applicable concessions) and no rebate thereafter.

Hunter Water has considered alternative rebate structures that would better compensate customers for the inconvenience caused by two wastewater overflows in a year.

Adopting Sydney Water's structure is estimated to roughly double annual expenditure on this rebate category so the benefits of are unlikely to exceed the costs.

Hunter Water proposes an alternative structure that involves rebates on the first, second and third event equivalent to 30 kilolitres, 60 kilolitres and 60 kilolitres of water usage. This results in the same total rebate amount per year for the few customers who experience three or more events and recognises the inconvenience caused to properties experiencing two events. Hunter Water estimates the increase in rebate expenditure for this option is estimated at approximately \$50,000 per year for around 375 affected customers per year. Hunter Water has incorporated this alternative structure into the proposed Customer Contract (see Appendix B, clause 16.2).

**Table 7.2 Comparison of current and proposed rebate for wastewater overflow**

| Current criteria  | Current rebate |               | Proposed criteria  | Proposed rebate |               |
|---|----------------|---------------|--|-----------------|---------------|
|   | (kL)           | (\$2016-17)   |  | (kL)            | (\$2016-17)   |
| <ul style="list-style-type: none"> <li>One dry weather wastewater overflow to your property</li> <li>Payable after the first event</li> </ul>           | 30             | 67.50         | <ul style="list-style-type: none"> <li>One dry weather wastewater overflow to your property</li> <li>Payable after the first event</li> </ul>                | 30              | 66.60         |
| <ul style="list-style-type: none"> <li>Not applicable</li> </ul>  | 0              | 0             | <ul style="list-style-type: none"> <li><b>Two dry weather wastewater overflow to your property</b></li> <li><b>Payable after the second event</b></li> </ul> | <b>60</b>       | <b>132.20</b> |
| <ul style="list-style-type: none"> <li>Three or more dry weather wastewater overflow to your property</li> <li>Payable after the third event</li> </ul> | <b>120</b>     | <b>270.00</b> | <ul style="list-style-type: none"> <li>Three or more dry weather wastewater overflow to your property</li> <li>Payable after the third event</li> </ul>      | <b>60</b>       | <b>132.20</b> |

Notes:

- a) The wastewater must be caused by Hunter Water or its infrastructure for a rebate to be payable.  
b) Differences are shown in **bold**.

### Rebate for low drinking water pressure

The criteria for payment of the low drinking water pressure rebate was reviewed during the 2010-11 Customer Contract review and again during the 2011-12 operating licence review.<sup>72</sup> The issues considered were:

- The method through which eligible customers were identified.
- The number of low pressure events occurring before a rebate applies.
- The water pressure that is considered acceptable.

No rebates having been issued for this event category during the 2012-2017 Operating Licence term, therefore the three issues listed above have been reconsidered with the aim of improving the effectiveness of the rebate for both Hunter Water and its customers.

The current trigger for assessing a customer's eligibility for a low pressure rebate is a customer contact. Hunter Water responds by dispatching field employees, who confirm whether the low pressure has occurred for at least 30 minutes at the point of connection. In response to concerns raised by EWON and PIAC, where a low pressure event is confirmed, and it can be determined that multiple properties have been affected, all properties are recorded as having experienced the event for low pressure rebate eligibility purposes, even if they have not reported the problem themselves.<sup>73</sup> This eligibility assessment method can be impractical and expensive to administer.

During the last operating licence review, IPART undertook a cost benefit analysis of replacing Hunter Water's low water pressure rebate with that of Sydney Water (see Table 7.3). IPART found that the benefits of this change would be unlikely to exceed its costs.<sup>74</sup>

<sup>72</sup> IPART, 2011(c) and IPART, 2012.

<sup>73</sup> IPART, 2011(c), page 9.

<sup>74</sup> IPART, 2012, Appendix C pages 2, 3, 11 – 13.

**Table 7.3 Comparison of low drinking water pressure rebate options**

|                               |                        | Hunter Water current             | Sydney Water current              | Hunter Water proposed               |          |
|-------------------------------|------------------------|----------------------------------|-----------------------------------|-------------------------------------|----------|
| Eligibility assessment method |                        | Confirmed report                 | Monitoring                        | Confirmed report                    | Modelled |
| Criteria                      | Pressure (metres head) | Less than 15                     |                                   | Less than 20                        | 15 to 20 |
|                               | Duration (minutes)     | At least 30                      | At least 15                       | At least 30                         | N/A      |
|                               | Frequency              | Paid on sixth event in 12 months | Payable for one event per quarter | Payable for one event per 12 months |          |
| Rebate                        | (kL)                   | 15                               | Not applicable                    | 15                                  | 15       |
|                               | (\$2016-17)            | 33.75                            | 35                                | 33.75                               | 33.75    |

**Sources:** Hunter Water Customer Contract, clause 7.2; Sydney Water Customer Contract, clause 7.2.

Hunter Water has considered an intermediate option that would improve consistency with Sydney Water, provide more compensation for inconvenience to customers than currently provided and be administratively simpler to implement. This option involves adopting the operating licence definition of water pressure failure that is used for performance monitoring against system performance standards as the equivalent definition of low pressure event in the Customer Contract. This would enable Hunter Water to apply two eligibility methods and to utilise common data.<sup>75</sup> In addition to notification by customers, water network models would be used to determine minimum drinking water pressures experienced by customers using the peak day demand for the preceding period (e.g. financial year). Customers identified as eligible via either method would automatically receive the rebate, to a maximum of one rebate per customer in any 12-month period.

Hunter Water has also considered the threshold below which a rebate is payable. Currently, there is a difference in operating licence system performance standards for low water pressure whereby Hunter Water is required to provide a higher level of service than Sydney Water. An unacceptably low water pressure as less than 20 metres head for a continuous period of 30 minutes or more in Hunter Water's area of operations but 15 metres head in Sydney Water's area of operations. These different threshold minimum pressures have historical origins and have been carried over to the description of water supply services in each utility's Customer Contract.

At the 2010-11 Customer Contract Review Hunter Water proposed retaining the 15 metres head minimum pressure for payment of service rebates because:<sup>76</sup>

- It is consistent with levels experienced by residents in many other urban and rural areas of Australia.
- It is appropriate to pay rebates on the same water pressure standard as Sydney Water.
- Results from a customer survey clearly indicated that customers did not perceive low water pressure to cause them significant inconvenience.

Upon further consideration, Hunter Water proposes that the minimum pressure be increased to 20 metres head for payment of rebates based on customer notification that is verified through field testing. It is proposed that a minimum pressure range of 15 m to 20 m be adopted for payment of rebates based on modelling. That is, customers become eligible for the rebate when their assessed water pressure drops below 15 m and eligibility continues until their assessed water pressure exceeds 20 m. The incorporation of hysteresis is considered reasonable because it takes into account modelling accuracy at low frequency events (such as peak day demand).

It is estimated that the proposed low drinking water pressure rebate will result in approximately 500 eligible customers at a cost of about \$20,000 per year.

<sup>75</sup> The use of common data and procedures for performance reporting against the water pressure system performance standard and for assessing eligibility for the low water pressure rebate would save time, improve consistency and provide additional confidence in its auditability.

<sup>76</sup> Hunter Water, 2010, page 4.

## General exclusions from rebates

Most utilities outline the circumstances in which a rebate will not be paid.<sup>77</sup> Hunter Water proposes that the following general exclusions from eligibility for service rebates:

- Non-standard agreements.
- Recycled water – A rebate for a water service event is intended to only include the drinking water service in a residential dual reticulation scheme because it is the essential service.
- Events caused by, or the responsibility of, the customer concerned or a third party (e.g. unplanned power interruption).

These exclusion take into account the customer inconvenience for different products and services, as well as Hunter Water's ability to control the service outcomes. These general exclusions have been incorporated into Hunter water's proposed Customer Contract, as provided in Appendix B.

## 7.3 Customer contract coverage

The *Hunter Water Act 1991* requires that the terms and conditions of a customer contract are set out Hunter Water's operating licence. Notwithstanding the definition of 'customer' in the Act, which is quite broad, the intended audience is retail customers. This is clear from the customer protection mechanisms incorporated into the Customer Contract that are necessary due to monopoly provision of essential services and unequal bargaining power between Hunter Water and residential (and smaller non-residential) customers.<sup>78</sup> It is also clear from the increasing adoption of plain English contractual text that is accessible and meaningful to a broad audience rather than the highly legalistic language used in contracts between large organisations with equal bargaining power.

This section therefore focusses on retail customers whereas contracts with wholesale customers are discussed in section **Error! Reference source not found..**

### 7.3.1 Customers and consumers

#### 14. Are the definitions of 'customer' and 'consumer' in the customer contract suitable for the current operating environment? If not, how can the definitions be amended to provide greater clarity?

*The current definitions are appropriate. The Customer Contract extends some provisions to consumers as if they were customers, where appropriate.*

Over the history of Hunter Water's operating licences and customer contracts, there has been much discourse on the rights, obligations and definitions of 'customers' and 'consumers'. In simple terms, a 'customer' is the owner of property whereas a 'consumer' is a recipient of services. For example, the owner of a residential house connected to Hunter Water's standard services is a 'customer' and the children residing in the house are 'consumers'. More generally, the term consumer also extends to tenants and other occupiers.

Hunter Water's 2012-2017 Operating Licence extends some protections in the Customer Contract to consumers *as if they were* customers (e.g. assistance options for payment difficulties or financial hardship, complaints handling). These are appropriate protections and it makes sense for these to continue.

The service rebates in Hunter Water's Customer Contract are provided in the form of a water usage allowance, in recognition that landlords may require tenants to pay water usage charges and it is the occupier that is inconvenienced by customer services below minimum standards, regardless of property ownership.

<sup>77</sup> For example, those in Victoria and the ACT.

<sup>78</sup> IPART has implicitly concurred with this view (see IPART, 2016(c), page 29).



### 7.3.2 Non-standard contracts

#### 12. What changes, if necessary, are needed to the operating licence and/or customer contract to facilitate negotiation of non-standard contracts between Hunter Water and its customers?

*No changes are needed for retail customers. Wholesale customers are considered separately in section Error! Reference source not found..*

Both the *Hunter Water Act 1991* and Hunter Water's current Customer Contract provide for other agreements to override the default provisions available to all serviced property owners.<sup>79</sup> This enables negotiation of terms and conditions for the provision of non-standard services through non-standard contracts with one or more customers. This serves two functions:

1. The main Customer Contract is more succinct, more easily read and less confusing to the general public when it only contains provisions common to most customers.
2. Categories of 'template' non-standard agreements can be developed for similar types of customers, such as minor trade wastewater customers, which manages risks for these customers and Hunter Water whilst minimising the administrative burden.

Hunter Water considers that the practice of agreeing non-standard contracts with customers for specific services is appropriate and effective. Non-standard contracts apply in a small number of instances relative to the broader customer base. As mentioned above, these contract apply for non-standard services and therefore the services may be subject to higher or lower service levels, often at corresponding higher or lower prices. Many of these customers cannot be provided with safe, reliable and financially viable standard services. Non-standard contracts enable such customers to obtain a connection that would otherwise not be available.

The terms of the separate, non-standard contracts take precedence over the standard Customer Contract to the extent of any inconsistency between them. The terms of the standard Customer Contract prevail where the separate agreement is silent on an issue, which provides some default customer protections.

Hunter Water's proposed Customer Contract provides additional clarity on the intended coverage of provisions, compared with the current Customer Contract.

No changes to the operating licence and/or Customer Contract are needed to facilitate negotiation of non-standard contracts between Hunter Water and its customers.

### 7.3.3 Supply of unfiltered water

#### 11. What are your concerns regarding the supply of non-potable water to residential customers, the conditions of supply, and the approved end-uses? How should these concerns be addressed - in the operating licence, the customer contract, or is there some other method?

*Supply of unfiltered water to customers between Chichester Dam and Dungog water treatment plant is already addressed in the water quality provisions in the operating licence. Hunter Water's preference is to continue to use non-standard contracts to formalise the relationship with unfiltered water customers.*

The Issues Paper specifically raises the topic of supply of unfiltered water to customers between Chichester Dam and Dungog water treatment plant (WTP) connected to the upper part of the Chichester Trunk Gravity Main pipeline. There are less than 100 customers served by this pipeline, most of which are residential customers. The water supplied to these customers is dosed with chlorine but is not filtered or otherwise treated. This water can vary in quality (particularly turbidity) after heavy rain and runoff into Chichester Dam.<sup>80</sup> The microbiological quality of the unfiltered water cannot be guaranteed.

<sup>79</sup> Hunter Water Act 1991, clause 37.

<sup>80</sup> Turbidity is a term that considers colour and suspended solids.



It should also be noted that, as the unfiltered water customers are serviced by a single trunk main, the water continuity standards in the operating licence cannot be reliably met.

In 2000, IPART introduced a discounted prices for this service, which it termed 'unfiltered water', and has continued this practice in its most recent determination. IPART has set the unfiltered water usage charge approximately 15 per cent lower than the drinking water price in 2016-17.<sup>81</sup> The lower price recognises that these customers are effectively buying a different product from that supplied to Hunter Water's other, standard drinking water supply customers. The provision of this unfiltered water service pre-dates the incorporation of Dungog Shire Local Government Area into Hunter Water's area of operations and was offered as an opportunistic use of the pipeline between a dam and a WTP, which passed properties along the way. These unfiltered water customers have historically had non-standard water service agreements that contain qualifying clauses regarding water quality and the end uses for which the water is safe.

Hunter Water's 2012-2017 Operating Licence may be considered to include some coverage of the supply of unfiltered water through the requirement to maintain and implement a management system that is consistent with the Australian Drinking Water Guidelines.<sup>82</sup> Risk assessments are used to identify water quality hazards and robust multiple barriers are continuously maintained to management the risks associated with each end use. The unfiltered water from the Chichester Trunk Gravity Main does receive some disinfection, however this single barrier is insufficient to reliably produce water suitable for drinking.

Some of IPART's annual operational audits have considered the supply of unfiltered water within the scope of compliance with drinking water quality licence clauses. In 2014, IPART recommended that:

*Hunter Water should develop a process to inform customers who receive unfiltered water from the Chichester Trunk Gravity Main about the quality and use of that water.<sup>83</sup>*

The process of updating non-standard agreements with unfiltered water customers revealed a difference of opinion between Hunter Water and its customers on the quality of the unfiltered water and suitable end uses. The difference of opinion raises two issues:

1. Whether operating licence terms have sufficient coverage of unfiltered water, as a non-drinking grade of water.
2. Whether the relationship between Hunter Water and its unfiltered water customers should be continue to be formalised in non-standard agreements or be incorporated into the Customer Contract instead.

The purpose of the operating licence is to both *enable* and *require* Hunter Water to lawfully provide services within its area of operations. The water quality clauses in the licence currently cover drinking water quality and recycled water quality. The upcoming licence could be improved by strengthening provisions relating to 'other grades of water' that do not clearly fall within the 'drinking water' and 'recycled water' categories. Some clauses in the Hunter Water's 2007-2012 Operating Licence could be adapted to fulfil this function (see Box 7.1).<sup>84</sup> The addition of these clauses is expected to lower public health risks.

Hunter Water's preference is to continue to maintain non-standard contracts with unfiltered water customers, rather than incorporate the service into its Customer Contract, due to the small number of customers affected (less than 0.1 % of its customer base). This approach results in a clearer, more concise customer contract for standard customers and services.

<sup>81</sup> IPART, 2016(d), page 142.

<sup>82</sup> Hunter Water, 2012, clauses 2.1.1 and 2.1.2

<sup>83</sup> IPART, 2014(b), page 4.

<sup>84</sup> Clauses 3.7.2, 3.7.4 (a) and (b), and 3.7.5.

**Box 7.1 Suggested operating licence clauses for other grades of water**

Other Grades of Water supplied by Hunter Water does not include drinking water or recycled water.

Hunter Water must use its best endeavours to reach agreement with persons to whom Other Grades of Water is supplied. The terms of agreement for the supply of Other Grades of Water must include:

- a) The quality of the water supplied; and
- b) The potential uses for the Other Grades of Water.

In agreeing the potential uses, Hunter Water must have regard to the Australian Drinking Water Guidelines and the advice of NSW Health.

If agreement cannot be reached then Hunter Water is not required to ensure the ongoing provision of Other Grades of Water.

**7.3.4 Form of customer contract**

**18. Is there merit in having more than one type of customer contract, to reflect the different customer groups, or is it more appropriate to allow for individual negotiations to establish specific contracts with specific customers, as is currently the case?**

*There is merit in having more than one type of customer contract, particularly having separate documents for residential and non-residential (business) customers.*

A review of customer contracts and charters of major urban water utilities has been undertaken to inform this operating licence review with consideration given to differences in operating contexts.<sup>85</sup> Yarra Valley Water has separate customer charters for residential customers, business customers, recycled water customers and trade waste customers.<sup>86</sup> Each customer charter is succinct and there is a reduced risk of confusion because all provisions are relevant to that class of customer.

It would be beneficial to have a separate customer contract for non-residential (business) customers, so that provisions can be tailored to the customer's capacity and circumstances. For example, payment terms may differ from those offered to residential customers due to the potential for large sales volumes over short time periods and there may be less need customer protection mechanisms such as assistance options for customers experiencing payment difficulties. Similarly, some price structures only apply to non-residential customers and it would be clearer for the contract to contain more targeted information on 'what you pay'. However, it is not clear whether there is a legal basis to establish more than one customer contract under the operating licence.<sup>87</sup> It would be useful to clarify this matter along with other legislative issues discussed in section 7.4.

Hunter Water notes that Sydney Water also supports the concept of having more than one type of customer contract:

*The terms of our current Customer Contract are mainly aimed at protecting residential consumers. We do not believe the same requirements are necessary for business customers and are proposing to develop a separate, and even less prescriptive, contract for business customers.<sup>88</sup>*

Common support for having more than one type of customer contract, to reflect different customer groups, means there is potential for greater consistency in licensing approach between the utilities. It is suggested that this opportunity be pursued at Hunter Water's next operating licence review.

<sup>85</sup> Regulatory regimes vary across jurisdictions, as do enabling legislation.

<sup>86</sup> <http://www.yvw.com.au/Home/Aboutus/Ourcustomers/Customercharters/index.htm>

<sup>87</sup> Section 35 of the *Hunter Water Act 1991* states that the terms and conditions of a customer contract are to be set out in the operating licence.

<sup>88</sup> Sydney Water, 2014, page 74.

## 7.4 Customer contract amendment process

### 17. Would it be beneficial to amend the Hunter Water Act 1991 to eliminate the difficulties associated with varying the customer contract? If so, how could it be achieved cost-effectively?

*The Hunter Water Act 1991 has not been substantively reviewed in the 25 years since its enactment and therefore a review would be timely. It would be cost-effective and beneficial to consider amending some provisions associated with varying the customer contract as part of such a broader review.*

The *Hunter Water Act 1991* is the overarching legislation that provides for the issue of a customer contract, its minimum content and process for variation. It also requires that the Customer Contract be included as part of the operating licence.<sup>89</sup>

Section 38 of the *Hunter Water Act 1991* provides that the Customer Contract may be varied with the approval of the Governor. Section 38 requires that a variation of the Customer Contract must be published in a daily newspaper circulating in the Area of Operations at least six months before the variation becomes effective, or a shorter period of notice approved by the Minister. A copy of the notice must also be given to the Customer.

It would be beneficial to review the appropriateness of the six month notification period and the broader approval process. Some relevant considerations are:

- Concurrent review of the operating licence and customer contract can be resource intensive for both IPART and the public water utility. This can also place a higher burden on customers, stakeholders and advocacy groups in providing a meaningful input to reviews.
- The applying the maximum operating licence term of five years to the Customer Contract can result in some provisions becoming outdated, creating confusion for customers, and limiting applicability in an evolving operating environment.
- The minimum notification period of six months may result in a delay in customers and consumers benefitting from changes, such as improvements to rebates. In practice, section 38 of the *Hunter Water Act 1991* has been used to reduce the notification period so as to balance the benefits to customer of improved provisions with allowing Hunter Water sufficient time to implement the changes.<sup>90</sup>

It would be most cost effective to consider amendments to provisions relating to variation of the Customer Contract as part of a broader review of the *Hunter Water Act 1991*.

<sup>89</sup> Division 1 Operating licence and Division 5 Customer contracts

<sup>90</sup> NSW Government Gazette, 11 March 2011, pages 2013 and 2014. Gazetted on 11 March 2011 with the new Customer Contract coming into effect on 1 July 2011.

## 8 OTHER CONSIDERATIONS

### 8.1 Environmental and quality management systems

#### 19. What are your views on maintaining the Environmental Management and Quality Management System requirements in the operating licence?

*Hunter Water supports IPART's preliminary view that the current operating licence provisions are appropriate and no significant changes are required.*

Hunter Water has had an Environmental Management System in place since 1995. The Environmental Management System provides a framework for developing, implementing, monitoring and reviewing Hunter Water's objectives, actions and targets in relation to its commitment to the community and environment. Hunter Water's Environmental Management System was certified as consistent with the Australian Standard AS/NZ ISO 14001:2004 Environmental Management Systems in October 2014.

Surveillance audits are being undertaken by a certifying body every six months until the certification is due for renewal in 2017. There have been no major non-conformances and no environmental management system failures identified during surveillance audits. Minor non-conformances have been corrected and close out in a reasonable timeframe.

In accordance with the Australian / New Zealand Standard ISO 14000, Hunter Water reviews and continually improve its Environmental Management System on a regular basis with the primary objective of improving the organisation's overall environmental performance.

It is appropriate to require Hunter Water to maintain its certification with the Australian Standard. Such an obligation would be consistent with Hunter Water's intentions.

### 8.2 Quality management system

Hunter Water's Integrated Quality Management System is the framework of processes and procedures used to ensure that an organisation can fulfil all tasks required to achieve its objectives. The Integrated Quality Management System is applied across all business areas and subsystems to provide consistency across common elements such as document control, records management, incident reporting, *et cetera*.

Hunter Water's Integrated Quality Management System was certified to ISO 9001 in August 2015, in advance of the operating licence requirement.

Hunter Water supports IPART's preliminary view that appropriate it is appropriate to require Hunter Water to maintain its certification with the Australian Standard and no significant changes to operating licence obligations are required.

### 8.3 Performance monitoring

IPART is responsible for administering the operating licence including the functions of monitoring, auditing and reporting to the Minister on compliance. Part 8 of the 2012-2017 Operating Licence details Hunter Water's responsibilities in relation to these matters.

#### 8.3.1 Reporting requirements/ Performance indicators

#### 20. Are there any performance indicators that are unnecessary or unduly costly to compile?

*There are opportunities to streamline some reporting through greater consistency in performance indicator definitions.*

#### 21. What are your views on including a requirement for Hunter Water to report against NWI performance indicators in the operating licence?

*Hunter Water supports inclusion of an operating licence requirement to report against NWI indicators. This would be consistent with the Council of Australian Governments' agreement and Sydney Water's operating licence.*

**23. How could the reporting of information (content and frequency) be improved to reduce the regulatory burden on Hunter Water but still sufficient to inform the customers and the public?**

*The largest opportunity to reduce the regulatory reporting burden on Hunter Water is through a thorough review of the Annual Information Return (AIR) requirements.*

Hunter Water's regulatory reporting obligations are extensive, ranging from annual reporting of audited statutory financial reports to compliance with individual water extraction conditions to operating licence reporting obligations.

The current operating licence retains a comprehensive suite of reporting requirements. A separate Reporting Manual is a companion document that outlines all reporting obligations under the current licence. This manual is available from IPART's website.

Annual reporting addresses performance against 32 IPART indicators in the areas of infrastructure performance, environmental management and customer service. This set of indicators consistently applies to Hunter Water and Sydney Water, in order to enable performance comparison.<sup>91</sup>

In addition, performance is also reported against a further 182 performance indicators covering customers, health, water resources, assets, environment, pricing and finances under the National Water Initiative (NWI). The NWI is the Council of Australian Governments (COAG's) principal agreement for water reform. The agreement includes a requirement for benchmarking efficient performance:

*The States and Territories will be required to report independently, publicly, and on an annual basis, benchmarking of pricing and service quality for metropolitan, nonmetropolitan and rural water delivery.*<sup>92</sup>

The Bureau of Meteorology's published NWI data in an annual National Performance Report on the performance of urban water utilities in Australia.<sup>93</sup> IPART coordinates the data collection from NSW urban utilities for this report and implements any auditing requirements.

In its Issues Paper IPART notes:

*Currently there is a gap in the operating licence regarding Hunter Water's obligation to report NWI indicators.*<sup>94</sup>

Hunter Water is of the opinion that this regulatory gap was an unintentional oversight and it has continued to report its performance against NWI indicators over the duration of the current operating licence. It supports inclusion of an operating licence requirement to report against NWI indicators.

More broadly, compliance and performance reporting is a significant undertaking with attendant administrative costs. Hunter Water considers there to be opportunities to achieve greater consistency in definitions across some indicators and thereby reduce the regulatory burden.<sup>95</sup> However, given the need for comparability of performance across NSW metropolitan water utilities, it is suggested that a broader review that includes all affected public water utilities may be appropriate.

The largest opportunity to reduce the regulatory reporting burden on Hunter Water is through a thorough review of the Annual Information Return (AIR) requirements.

IPART states:

*The purpose of the AIR is to assist us in monitoring the performance of the water agencies and their compliance with our determinations.*

<sup>91</sup> IPART, 2012(b).

<sup>92</sup> COAG, 2004, clause 75, page 15.

<sup>93</sup> The National Performance Report was formerly published by the National Water Commission, with its last report being for 2012-13. The Australian Government announced the abolition of the Commission in the 2014-15 Budget. The *National Water Commission (Abolition) Bill 2014* was introduced into the Senate in September with an abolition date of 1 January 2015; however the Bill was not passed before Parliament adjourned for 2014. Responsibility for compilation and publication of the National Performance Report was transferred to the Bureau of Meteorology in 2014 in anticipation of the closure of the National Water Commission.

<sup>94</sup> IPART, 2016(c), page 37.

<sup>95</sup> For example, the system performance standard for water pressure failures and the customer contract rebate for low water pressure, as described in section 7.2.3. Similarly, the definitions for 'planned' and 'unplanned' interruptions could be aligned across the water continuity system performance standard, customer contract service rebates, IPART Infrastructure indicators and NWI indicators.

The AIR is an MS Excel spreadsheet containing over 75 tables, with each table containing up to 142 line items, meaning actual performance for the preceding financial year and projected performance for the next six financial years is required for over 3,000 items. Despite previous endeavours, many indicators are lacking definitions, there is no hierarchy of precedence for consistency between indicators and the specific uses of much of the data are unknown. Moreover, IPART's change to the sequencing and timing of the price review process in 2014 meant that public water utilities were required to submit two AIRs in a price review year. It is highly questionable whether the reporting requirements are the minimum possible in this case, as required under the Licensing Framework (see Figure 3.2), or indeed efficient. A comprehensive review of the AIR would be appropriate.

## 8.3.2 Relationship with management system standards

### **22. What reporting obligations, if any, should be removed or revised to better align with the outputs of drinking water and recycled water quality management plans?**

*The current water quality reporting obligations are considered transparent and appropriate.*

### **9. Should the biennial 'State of the Assets reporting' continue in its current form or would it suffice for Hunter Water to provide IPART with asset information by providing copies of reports produced as part of the ISO 55001, or similar Asset Management System?**

*Hunter Water welcomes further discussion with IPART of the intended use of the State of the Assets report and the most appropriate means to meet this need*

Hunter Water is subject to extensive regulation, and associated reporting requirements, so there is some potential for duplicative performance monitoring particularly due to the management systems standard approach to licensing. For example, Element 10 of the framework for management of drinking water quality is Documentation and Reporting (see Figure 4.1), which requires an annual report to be made available to consumers, regulatory authorities and stakeholders.

Overall, the annual compliance and performance reporting requirements in the Reporting Manual do not duplicate other reports specified in management systems. Hunter Water's operating licence Compliance and Performance Report provides information in a format accessible to the community and stakeholders.<sup>96</sup> It summarises the information contained in compliance reports to other regulatory agencies in plain English, some of which may not otherwise be accessible to the public. Hunter Water's general approach has therefore been to reference the Compliance and Performance Report within its management systems rather than generate additional reports.

In relation to the requirement to provide a biennial State of the Assets report, the Issues Paper states:

*IPART uses this report to inform our audit and pricing review processes.<sup>97</sup>*

As these uses have not been evident to Hunter Water, it is difficult to assess the benefits and costs of maintaining such a requirement. It is noted that Stage 2 of the Licensing Framework requires that reporting requirements be the minimum necessary (see Figure 3.2) and IPART's principles for this review seek to avoid unnecessary administration costs (see section 3.2). Hunter Water welcomes further discussion with IPART of the intended use of the State of the Assets report, to inform further consideration of how IPART's needs can be met (including the frequency and content).

<sup>96</sup> For example, the IPART Environmental Performance Indicator E11 (in the Compliance and Performance Report) reports the total number and nature of proceedings or penalty notices of conditions under licences issued to the water utility by DPI Water for water management. The information is also contained in the Water Management Licence Annual Compliance Report to DPI Water.

<sup>97</sup> IPART, 2016(c), page 24.



## 8.4 Water for firefighting

**28. Is water availability from Hunter Water's network for fire-fighting an issue that needs to be addressed in the new operating licence? If so, is an MOU with the Rural Fire Service or FRNSW the best way to address this issue?**

*The water supply network is one of several mechanisms affecting water availability for urban firefighting. Evolving standards mean that there are always opportunities to improve.*

*Hunter Water is keen to work more closely with FRNSW and does not object to a requirement to formalise this relationship.*

Urban fire protection is provided through a range of mechanisms such as:

- Building codes and requirements for on-site systems imposed through development approvals,
- Firefighting services and capabilities of Fire and Rescue NSW (FRNSW) and the Rural Fire Service, and
- Water supply network.

The full range of mechanisms, and the interactions between them, determine the ability to mitigate the consequences of urban fires to properties and the community.

Water availability from Hunter Water's network for fire-fighting is affected by factors such as design standards for pipe sizing and pipe arrangements, hydrant spacing and access and housing density. Hunter Water has standards in place for design of water networks so that appropriate pressure and flow is available from hydrants. Standards evolve over time to integrate best practice, so it is inevitable that parts of the water supply network will have different water availability for firefighting. Hunter Water is keen to understand FRNSW's needs and priorities for these areas, in the context of the water supply network being one of several mechanisms to improve water availability.

It is considered good practice to formalise and document organisational relationships in terms of reference, roles and responsibilities protocols or memoranda of understanding. Hunter Water does not object to an operating licence requirement to formalise its relationship with FRNSW.



## 9 ALTERNATIVE WATER AND SEWERAGE SERVICE PROVIDERS

### 9.1 Introduction

The emergence of competition in the NSW urban water industry, its form and drivers are described in section 2.1.3. There are various issues to be considered as competition evolves. The recent focus has been on matters relating to wholesale services.<sup>98</sup>

IPART is currently conducting a separate review of wholesale prices for the supply of services to wholesale customers (WIC utilities).<sup>99</sup> Hunter Water supports IPART's decision to determine wholesale prices, and endorses IPART's overall pricing approach.

This section considers whether there is a role for the operating licence and customer contract in addressing matters specific to wholesale customers and wholesale services. Hunter Water observes that wholesale customers, or alternative water and sewerage service providers, are a unique category of customer. These are privately-owned businesses that are licenced to own and operate water and wastewater infrastructure and on-sell or provide utility services to end-use customers.

Hunter Water notes that the issues IPART is considering in wholesale price review (e.g. definitions of wholesale customers and services) are interdependent with the issues being considered as part of this review (obligation to service, and terms and conditions of service).

### 9.2 Regulatory context

#### 9.2.1 Legislative requirements

The *Hunter Water Act 1991* defines a customer as:

- a person who is taken to have entered into a 'customer contract'; or
- a person who has made a contract with the Corporation of a kind referred to in section 37.

A 'customer contract' means a contract of a kind referred to in section 36(1), which states that:

*... an owner of land that is connected to a water main or sewer main owned by the Corporation is taken to have entered into customer contract with the Corporation, on terms and conditions published under section 35 ... for the provision of water supply or sewerage services, or either of them, to the land.*

The *Hunter Water Act 1991* (section 35) states that:

*... the terms and conditions of a customer contract are to be set out in the Operating Licence.*

The *Hunter Water Act 1991* (section 37) states that the customer contract provisions of the Act do not apply in the following circumstance:

*... to the extent that the terms of and conditions of a contract for the provision of water supply or sewerage services, or either of them, have been specifically agreed to by the Corporation and a customer.*

In summary, Hunter Water may enter into contact with any customer on non-standard terms and conditions. Hunter Water's governing legislation provides for a customer contract under the operating licence for the owners of land connected to Hunter Water's water and sewer network. A customer is not bound by the terms and conditions of the customer contract to the extent that a contract has been specifically agreed with the customer.

<sup>98</sup> Alternative water and sewerage service providers may provide some self-contained services to end-users (e.g. wastewater services or recycled water services) and may seek wholesale services from the public water utility (e.g. bulk drinking water) which it then on-sells to end-use customers.

<sup>99</sup> IPART, 2016(b).

## 9.2.2 Operating Licence requirements

Hunter Water's 2012-2017 Operating Licence states that Hunter Water:

*... must ensure that drinking water and sewerage services are available on request to any property situated in its area of operation.<sup>100</sup>*

It also describes the conditions for the connection of 'properties' to Hunter Water's drinking water and sewerage systems (obligation to service):

*Connection of the Services is subject to any condition that the utility may determine to ensure the safe, reliable and financially viable supply of [those] services...<sup>101</sup>*

Sydney Water's 2015-2020 Operating Licence includes substantially similar requirements.

It is useful to reflect on whom Hunter Water is obligated to service. That is, the definition of 'property' and whether this includes wholesale customers.

Hunter Water's Operating Licence defines 'property' as either an individual dwelling, individual premise, land owned by a person or a lot in a strata plan that is connected to the water supply and/or sewerage system, or for which connection is available. That is, 'property' refers to land or premises, rather than to water or sewerage infrastructure.

Hunter Water understands that the WIC utilities in the Lower Hunter own water industry infrastructure and may own the land on which the infrastructure is situated, but do not own the land associated with the development. In each case the property developer is the initial land owner, prior to the transfer of land ownership to end-use customers within the development (primarily residential lots). The WIC utility provides services to the end-use customers, but is not a land or premise owner in its own right. This does not preclude the possibility that a WIC licensee could provide water and wastewater services and own the land associated with the delivery of those services with future developments in the Lower Hunter.

## 9.3 IPART determined wholesale prices

IPART published a Discussion Paper on *Prices for wholesale water and sewerage services for Sydney Water and Hunter Water* in April 2016. IPART noted that it has a standing reference to conduct investigations and determine prices for government monopoly services supplied by government agencies. IPART defines wholesale customers to be those that purchase water supply and/or sewerage services from Hunter Water and Sydney Water for the purposes of on-supplying water and sewerage services to customers.

IPART's earlier approach favoured the setting of interim prices or a pricing methodology for the supply of wholesale services. Hunter Water would then seek a voluntary access undertaking under the access provision of the WIC Act.

IPART's Discussion Paper states that IPART will regulate wholesale prices for Hunter Water and Sydney Water through a separate wholesale price determination:

*Both utilities are the monopoly supplier of wholesale water and sewerage services in their area of operations, so regulation is needed to protect wholesale customers from potential abuses of this monopoly power. In addition, we do not consider the WIC Act access regime is currently a suitable framework for this regulation. It regulates access to 'infrastructure services', rather than the wholesale purchase of bundled water and sewerage services.*

IPART also recognised that, in some instances, the parties may prefer to negotiate a private pricing agreement for wholesale services "to achieve mutually beneficial outcomes". IPART has proposed an option whereby regulated prices would apply unless the parties enter into a voluntary commercial agreement.

<sup>100</sup> Clause 1.6.1.

<sup>101</sup> Clause 1.6.2.

Hunter Water's response to IPART's Discussion Paper made the following points:<sup>102</sup>

- Hunter Water supports IPART's decision to determine wholesale prices directly.
- An IPART determination of wholesale prices reduces the costs of negotiating and finalising utility services agreements.
- The voluntary access undertaking option would create substantial costs and take time to prepare and finalise. Wholesale customers in the Lower Hunter are seeking a bundled drinking water supply, and an interim wastewater service in some cases. Hunter Water has not had requests or enquiries related to access to Hunter Water's infrastructure services – the assets used to transport water and wastewater within Hunter Water's system.
- Hunter Water agrees with IPART's proposed retail-minus approach, but does not support the use of a 'reasonably efficient competitor' standard to calculate the minus component.

## 9.4 Negotiating utility services agreements

### 13. What changes, if necessary, are needed in the operating licence and/or customer contract to account for 'wholesale' customers and services?

*Hunter Water does not consider that there is a need to provide additional obligations in Hunter Water's operating licence or customer contract to facilitate the negotiation of utility services agreements with wholesale customers.*

Hunter Water has always negotiated in good faith with all prospective wholesale customers and WIC licensees in the Lower Hunter. To date, Hunter Water has negotiated two utility services agreements for the supply of a wholesale drinking water service to WIC utilities, and a variation to one of those agreements for the supply of temporary wholesale wastewater services. 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.

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 is of the firm view that it would be confusing, cumbersome and unwieldy to incorporate contract provisions for the supply of wholesale services to wholesale customers within Hunter Water's existing customer contract.

<sup>102</sup> Hunter Water, 2016.

The customer contract sets out customer and consumer protection provisions in excess of general consumer law. The customer contract is a 'generic instrument' drafted to explain contract terms, rights and obligations, and safeguards for end users receiving supply under standard or default arrangements (because the wholesale customer is not the end-use customer).

The contractual relationship between Hunter Water and wholesale customers in the Lower Hunter is an agreement between utilities owning water and sewerage infrastructure. The utility services agreements establish agreed terms and conditions for an ongoing operational arrangement between the public water utility and the alternative service provider. There is limited commonality between the standard form customer contract set out in the operating licence and the contract terms and conditions set out in a utility services agreements.

It is not clear whether there is a legal basis to establish more than one customer contract under Hunter Water's operating licence to specify minimum requirements for a wholesale customer contract. The *Hunter Water Act 1991* states that:

*The terms and conditions of a customer contract are to be set out in the operating licence.*<sup>103</sup>

Hunter Water observes that even if there were a separate, standard form wholesale customer contract, the terms and conditions set out in that contract would no longer apply to the extent that Hunter Water and the wholesale customer 'specifically agreed' any different terms and conditions.<sup>104</sup>

Hunter Water does not consider that any changes are required to the customer contract to facilitate negotiation of non-standard contracts in the form of utility services agreements with wholesale customers, for three reasons:

- Hunter Water has an established record of working cooperatively and constructively with wholesale customers to agree the individual requirements of each utility services agreement.
- The counterparties to a utility services agreement have the resources, knowledge and expertise to negotiate and execute mutually agreeable contract arrangements.<sup>105</sup>
- Utility services agreements are complex, bespoke contracts. Designing a standard wholesale customer contract setting out generic, minimum terms and conditions would not facilitate contract negotiations in any meaningful way.

## 9.5 An obligation to service wholesale customers

### **15. Should Hunter Water be obliged to service anyone other than property owners? If so, who are these 'customers' and what are the appropriate obligations on Hunter Water to service them?**

*Hunter Water is not convinced that there is a reasonable basis to place any additional licence obligations on Hunter Water to service anyone other than property owners.*

Hunter Water questions the merits and legal grounds for establishing and extending any rights or obligations to a separate category of "wholesale customers" in the operating licence. Hunter Water has not formed a final position on whether it should be obligated in some way to offer services to wholesale customers. This response sets out some of the reasons for arguing that such an intervention may not be necessary.

Hunter Water agrees with IPART's decision to review and determine the wholesale prices that Hunter Water can charge for wholesale services supplied to wholesale customers (or alternative water and sewerage service providers). Hunter Water has had some difficulty agreeing the pricing terms in the utility services agreements negotiated to date. Hunter Water has publicly detailed its position on wholesale pricing in its submission to IPART's wholesale pricing review.<sup>106</sup> Hunter Water's approach to establishing wholesale prices under existing utility services agreements is consistent with IPART's proposed 'retail-minus approach'. An IPART determination of wholesale prices will eliminate any

<sup>103</sup> Section 35.

<sup>104</sup> *Hunter Water Act 1991* (NSW), section 37.

<sup>105</sup> Frontier Economics, 2016, page 14.

<sup>106</sup> Hunter Water, 2016.

ambiguity about the legal basis for charging under utility services agreements, and establish specific prices, or a methodology for calculating the prices, to be applied in the contracts between Hunter Water and each wholesale customer.

IPART has raised the question of whether Hunter Water should be obliged to provide services to anyone other than property owners. WIC utilities in the Lower Hunter do not generally own the land upon which they provide the alternative water and sewerage services. If Hunter Water is not legally obliged to provide services to non-property owners, under the Act or the operating licence, this could raise a concern that Hunter Water may refuse to supply services to wholesale customers in some instances. IPART's wholesale price determination would set wholesale prices for wholesale services, but not oblige Hunter Water to offer wholesale services to WIC utilities that do not own land or property.

Hunter Water recognises that one way of minimising any concerns about the obligation to provide wholesale services would be to include an extra provision or a separate clause in Hunter Water's operating licence. This would reflect the intent of the requirement to provide a 'connection of services' to any property situated in the area of operations and its associated qualifier (with modifications appropriate for the nature of wholesale customers including the requirement to reach commercial agreement on the terms of service provision):<sup>107</sup>

*Connection of Services is subject to any conditions Hunter Water may lawfully impose to ensure the safe, reliable and financially viable supply of the Services ...*

Hunter Water has not formed a final position on whether the operating licence should include an explicit obligation to offer supply to alternative providers of water and sewerage services. Hunter Water recognises that incorporating such an obligation to offer services to non-property owners, subject to certain conditions, would minimise any perception that Hunter Water could act in a way to avoid providing services at IPART determined wholesale prices to wholesale customers.

Hunter Water acknowledges that any changes that IPART recommends to the current operating licence would be subject to IPART's stated approach for this review and a cost-benefit analysis. In this context, Hunter Water considers that there are good reasons to argue why an additional obligation to offer services to wholesale customers is not warranted.

First, the provisions covering the operating licence in the *Hunter Water Act 1991* specifically relate to the owners of land. Hunter Water questions whether IPART should recommend changes to the operating licence that extend beyond the limits of Hunter Water's governing legislation. The same situation applies to Sydney Water, where the operating licence does not extend additional rights or obligations to wholesale customers.

Second, the NSW better regulation and licensing framework sets out the best practice principle that license requirements should complement, rather than duplicate, the requirements of other legislation or regulatory mechanisms (see section 3.2). IPART would need to identify any shortcomings or gaps in the current regulatory framework to make the case that there are not adequate protections for wholesale customers seeking to purchase services from Hunter Water.

Third, IPART determines prices for other monopoly services in Hunter Water's area of operations for which there is no corresponding obligation to provide services. For example, IPART sets charges for the treatment of non-residential trade waste discharges consistent with IPART's trade waste pricing principles. Hunter Water provides trade waste and tanker services to commercial and industrial customers, but only where capacity and capability are available at wastewater treatment plants.

Four, IPART intends to release its draft determination of wholesale prices in August 2016 and a final determination in December 2016. IPART has detailed three options to implement the wholesale price determination. Hunter Water will not be certain of any legal drafting, the definition of wholesale customers, revenue shortfall arising from the pricing approach and the timing of implementation until the final determination is published.

Hunter Water is concerned that including a provision to offer services to all wholesale customers, including non-land or property owners, may result in unintended consequences in some way. Hunter Water would appreciate the opportunity to review the draft wholesale price determination in August

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<sup>107</sup> Hunter Water's 2012-2017 Operating Licence, clauses 1.6.1 and 1.6.2.

2016 to provide further comment on this matter. Hunter Water recognises that IPART's Issues Paper and this response are the first steps in the 12-month review process.

Hunter Water intends to work constructively with IPART to resolve this matter over the course of the review.



## 10 GLOSSARY

This section provides a general glossary of terms used in this submission.

| Term   | Acronym | Definition  |
|--|---------|---|
| Area of Operations                                 |         | As specified in Section 16 of the <i>Hunter Water Act 1991</i> , a description of which is included in Schedule B of Hunter Water's 2012 – 2017 Operating Licence.  |
| Australian Drinking Water Guidelines               | ADWG    | National Health and Medical Research Council (NHMRC) and Natural Resource Management Ministerial Council (NRMMC) Australian Drinking Water Guidelines 2011 (version 3.2), as updated from time to time.   |
| The Corporation                                    |         | Hunter Water Corporation.   |
| Demand management                                  |         | Strategies to reduce water demand and consumption by residential, commercial and industrial sectors.  |
| Dual reticulation                                  |         | Term used interchangeably with reticulated recycled water scheme.   |
| Economic level of leakage                          | ELL     | The level of leakage at which it would cost more to reduce the leakage than to produce water from another source.   |
| Energy and Water Ombudsman of NSW                  | EWON    | The NSW industry complaints scheme for the water industry of that name and any successor to that scheme.  |
| Fire and Rescue NSW                                | FRNSW   |   |
| Independent Pricing and Regulatory Tribunal of NSW | IPART   | The independent body that oversees regulation in the water, gas, electricity and public transport industries in NSW.  |
| Metropolitan Water Directorate                     | MWD     | The Metropolitan Water Directorate (MWD) leads a whole-of-government approach to water planning for Sydney and the Lower Hunter; and provides policy advice on water industry competition and reform.   |
| Non-potable  |         | Not suitable for drinking.  |
| NSW Health   |         | NSW Department of Health.   |
| Operating Licence                                  |         | A licence issued under the <i>Hunter Water Act 1991</i> .   |
| Potable  |         | Fit or suitable for drinking.   |
| Public Interest Advocacy Centre                    | PIAC    | An independent, non-profit law and policy organisation dedicated to helping vulnerable and disadvantaged people.  |
| Sewage   |         | Term used interchangeably with wastewater. The wastewater from homes, offices, shops, factories and other premises discharged to the sewer.   |
| Sewerage system                                    |         | The network of pipes, pumping stations and treatment plants used to collect, transport, treat sewage (wastewater) for disposal or recycling.  |
| System performance standards                       |         | Limits to the number of properties affected by service levels lower than the minimum.   |
| Stormwater   |         | Rainwater that runs off the land, frequently carrying various forms of pollution, such as litter and detritus, animal droppings and dissolved chemicals. This untreated water is dissolved in stormwater channels and discharged directly into creeks, rivers, the harbour and the ocean. |
| The Tribunal                                       | IPART   | Independent Pricing and Regulatory Tribunal of NSW.   |
| Wastewater   |         | Term used interchangeably with sewage.  |
| Wastewater overflow                                |         | A discharge of wastewater from the wastewater system. These overflows may occur in wet or in dry weather.   |
| Wastewater system                                  |         | Term used interchangeably with sewerage system.   |



| Term                                 | Acronym | Definition   |
|--------------------------------------|---------|--|
| Water conservation target            |         | The five year rolling average for annual residential water consumption calculated for each financial year. The target is set at 215 kilolitres per year in Hunter Water's 2012-2017 Operating Licence. |
| Water demand                         |         | Total water use requirements for drinking, agriculture, industry, recreation and gardening, seasonal and highly influenced by the weather.   |
| Water efficiency                     |         | Preventing and reducing wasteful, uneconomical, impractical or unreasonable use of water resources.  |
| Water supply network                 |         | System of water sources, including dams, bores, treatment plants, pump stations and distribution pipes, used to supply drinking water on demand to customers.  |
| WIC Act                              |         | Water Industry Competition Act, 2006 (NSW)   |
| Water Services Association Australia | WSAA    | The peak industry body for the Australian urban water industry.  |
| Wastewater treatment plant           | WWTP    | Term used interchangeably with wastewater treatment works or sewage treatment plant.   |
| Water treatment plant                | WTP     | Infrastructure and processes used to treat water so that the resulting water quality is appropriate for its intended end-use.  |

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# APPENDIXES

|   |   |     |
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| B | Proposed Customer Contract.....                       | B.1 |
| C | Customer Contract key changes and reasons.....        | C.1 |
| D | Additional information on service rebates.....        | D.1 |





# **APPENDIX A**

## **CHANGE TO THE STRUCTURE OF THE CUSTOMER CONTRACT**



| Hunter Water Proposed Customer Contract |   | Hunter Water Current Customer Contract |   | Sydney Water's Customer Contract |   |
|---|---|--|---|----------------------------------|---|
| No.                                     | Clause  | No.                                    | Clause  | No.                              | Clause  |
| 1                                       | Introduction  | 1                                      | Introduction  | 1                                | Introduction  |
| 1.1                                     | Words used in this contract                           | 1.1                                    | Words used in this contract                                 | 1.1                              | Words used in this contract                           |
| 1.2                                     | Understanding the contract                            | 1.2                                    | Understanding the contract                                  | 1.2                              | Understanding the contract                            |
| 2                                       | What is a Customer Contract and who is covered by it? | 2                                      | What is a Customer Contract and who is covered by it?       | 2                                | What is a Customer Contract and who is covered by it? |
| 2.1                                     | What is a Customer Contract?                          | 2.1                                    | What is a Customer Contract?                                | 2.1                              | What is a Customer Contract?                          |
| 2.2                                     | Who is covered by this contract?                      | 2.2                                    | Who is covered by this contract?                            | 2.2                              | Who is covered by this contract?                      |
| 2.3                                     | Other agreements with us                              | 2.3                                    | Other agreements with us                                    | 2.3                              | Other agreements with us                              |
| 2.4                                     | When does this Customer Contract commence?            | 2.4                                    | When does this Customer Contract commence?                  | 2.4                              | When does this Customer Contract commence?            |
|   |   | 14                                     | When does my Customer Contract with Hunter Water terminate? | 14                               | When does this contract with Sydney Water terminate?  |
| 2.5                                     | When does this Customer Contract end?                 | 14.1                                   | Termination of this contract                                | 14.1                             | Termination of this contract                          |
| 2.6                                     | Variation of this Customer Contract                   | 14.2                                   | Variation of this contract                                  | 14.2                             | Variation of this contract                            |
| 3                                       | What <u>water</u> services do we provide?             | 3.1                                    | Water supply services                                       | 3.1                              | Water supply services                                 |
| 3.1                                     | Drinking water quality                                | 3.1.2                                  | Drinking water quality                                      | 3.1.2                            | Drinking water quality                                |
| 3.2                                     | Supply of water                                       | 3.1.1                                  | Supply of drinking water                                    | 3.1.1                            | Supply of water                                       |
| 3.3                                     | Health or special needs                               | 3.1.5                                  | Health or special needs                                     | 3.1.5                            | Health or special needs                               |
| 3.4                                     | Drinking water pressure                               | 3.1.3                                  | Drinking water pressure                                     | 3.1.4                            | Drinking water pressure                               |
| 4                                       | What <u>recycled water</u> services do we provide?    | 3.1.4                                  | Supply of recycled water                                    | 3.1.3                            | Recycled water quality                                |
| 5                                       | What <u>wastewater</u> services do we provide?        | 3.2                                    | Wastewater services   | 3.2                              | Wastewater services                                   |
| 5.1                                     | Supply of wastewater services                         | 3.2.1                                  | Supply of wastewater service                                | 3.2.1                            | Supply of wastewater services                         |
| 5.2                                     | Wastewater overflow                                   | 3.2.2                                  | Wastewater overflow   | 3.2.2                            | Wastewater overflow                                   |
| 5.3                                     | Wastewater mining                                     | 3.2.5                                  | Wastewater mining and stormwater harvesting                 | 3.2.5                            | Sewer mining and stormwater harvesting                |
|   |   |  |   | 3.2.4                            | Pressure wastewater system connection                 |
| 6                                       | What <u>trade waste</u> services do we provide?       |  |   |                                  |   |
| 6.1                                     | Trade wastewater                                      | 3.2.4                                  | Trade wastewater  | 3.2.3                            | Trade wastewater                                      |
| 7                                       | What <u>stormwater</u> services do we provide?        |  |   |                                  |   |
| 7.1                                     | Stormwater drainage services                          | 3.3                                    | Stormwater drainage services                                | 3.3                              | Stormwater services                                   |
| 7.2                                     | Stormwater harvesting                                 | 3.2.5                                  | Wastewater mining and stormwater harvesting                 |                                  |   |
| 8                                       | Factors affecting service                             | 3.4                                    | Factors affecting service                                   | 3.4                              | Factors affecting service                             |
| 8.1                                     | Unplanned interruptions                               | 3.4.1                                  | Unplanned interruptions                                     | 3.4.2                            | Unplanned interruptions                               |
| 8.2                                     | Planned interruptions                                 | 3.4.2                                  | Planned interruptions                                       | 3.4.3                            | Planned interruptions                                 |
| 8.3                                     | Water restrictions                                    | 3.4.3                                  | Water restrictions  | 3.4.4                            | Water restrictions                                    |
| 8.4                                     | Major operational incident                            | 3.4.4                                  | Major operational difficulty                                |                                  |   |
| 8.5                                     | Restriction or disconnection                          |  |   |                                  |   |
| 8.6                                     | Force majeure   |  |   |                                  |   |
|   |   |  |   | 3.4.1                            | Repairs and maintenance                               |

| Hunter Water Proposed Customer Contract |  | Hunter Water Current Customer Contract |   | Sydney Water's Customer Contract |   |
|---|--|--|---|----------------------------------|---|
| No.                                     | Clause   | No.                                    | Clause  | No.                              | Clause  |
| 9                                       | What you pay   | 4                                      | What you pay  | 4                                | What you pay  |
| 9.1                                     | How prices are set   | 4.8                                    | How prices are determined                                     | 4.9                              | How prices are determined   |
| 9.2                                     | Publication of charges                                     | 4.2                                    | Publication of charges  | 4.2                              | Publication of charges  |
| 9.3                                     | Responsibility to pay the account                          | 4.1                                    | Responsibility to pay the account                             | 4.1                              | Responsibility to pay the account   |
| 9.4                                     | Concessions  | 4.3                                    | Concessions   | 4.3                              | Concessions   |
| 9.5                                     | Your bill  | 4.4                                    | Your account  | 4.4                              | Your bill   |
| 9.6                                     | Undercharging  | 4.5                                    | Undercharging   | 4.5                              | Undercharging   |
| 9.7                                     | Overcharging   | 4.6                                    | Overcharging  | 4.6                              | Overcharging  |
| 9.8                                     | Account queries and disputes                               | 4.7                                    | Account disputes  | 4.7                              | Billing disputes  |
| 9.9                                     | Wastewater usage charge                                    | 4.8.2                                  | Wastewater usage charge                                       | 4.8                              | Wastewater usage charges  |
| 9.10                                    | Other costs and charges                                    | 4.9                                    | Other costs and charges                                       | 4.11                             | Other costs and charges   |
| 10                                      | What can I do if I am unable to pay my bill?               | 5                                      | What can I do if I am unable to pay my account?               | 5                                | What can I do if I am unable to pay my account?   |
| 10.1                                    | Payment difficulties and assistance options                | 5.1                                    | Payment difficulties and account relief                       | 5.1                              | Payment difficulties and assistance options   |
| 11                                      | Restriction or disconnection of services                   | 6                                      | Restriction or disconnection of water and wastewater services | 6                                | Restriction or disconnection of water supply and wastewater services                        |
| 11.1                                    | Restriction or disconnection of supply for non-payment     | 6.1                                    | Restriction or disconnection of supply for non-payment        | 6.1                              | Restriction or disconnection  |
| 11.2                                    | Notice of restriction or disconnection for non-payment     | 6.2                                    | Notice of restriction or disconnection of supply of water     | 6.2                              | Notice of restriction or disconnection of supply of water for non-payment by customers      |
|   |  | 6.4                                    | Restriction and debt recovery or legal action                 | 6.10                             | Costs for debt recovery activities  |
|   |  |  |   | 6.3                              | Conditions for restriction or disconnection of supply of water for non-payment by customers |
| 11.3                                    | Restriction or disconnection for other reasons             | 6.3                                    | Restriction or disconnection for other reasons                | 6.4                              | Restriction or disconnection for other reasons  |
| 11.4                                    | Minimum flow rate  | 6.5                                    | Minimum flow rate during restriction                          | 6.6                              | Minimum flow rate during restriction  |
| 11.5                                    | Disconnection by a customer                                | 6.6                                    | Disconnection by a customer                                   | 6.8                              | Disconnection by a customer   |
| 11.6                                    | Restoration of services after restriction or disconnection | 6.7                                    | Restoration of services after restriction or disconnection    | 6.9                              | Restoration of water supply after restriction or disconnection                              |
|   |  |  |   | 6.5                              | Occupiers (tenants) may pay charges to avoid restriction or disconnection                   |

| Hunter Water Proposed Customer Contract |  | Hunter Water Current Customer Contract |   | Sydney Water's Customer Contract |  |
|---|--|--|---|----------------------------------|--|
| No.                                     | Clause   | No.                                    | Clause  | No.                              | Clause   |
| 12                                      | Responsibilities for maintenance and repair                | 8                                      | Responsibilities for maintenance and repair                     | 8                                | Responsibilities for maintenance                           |
| 12.1                                    | Drawings   |  |   |                                  |  |
| 12.2                                    | Our responsibilities regarding our infrastructure          |  |   |                                  |  |
| 12.3                                    | Your responsibilities regarding your water system          | 8.1                                    | Your water system   | 8.1                              | Water pipes  |
| 12.4                                    | Your responsibilities regarding your wastewater system     | 8.2                                    | Your wastewater system  | 8.2                              | Wastewater pipes   |
|   |  | 3.2.3                                  | Blockage of your wastewater system                              |                                  |  |
| 12.5                                    | Pressure wastewater system                                 | 8.3                                    | Pressure wastewater system connections                          | 8.3                              | Pressure wastewater systems                                |
| 12.6                                    | Non-standard connections                                   | 8.4                                    | Non-standard wastewater system connections                      |                                  |  |
| 12.7                                    | Private joint systems                                      | 8.5                                    | Private joint water systems or private joint wastewater systems | 8.4                              | Private joint water wastewater pipes                       |
| 12.8                                    | Stormwater connections, coverings and bridges              | 8.6                                    | Stormwater connections, coverings and bridges                   | 8.5                              | Stormwater connections, coverings and bridges              |
| 12.9                                    | Conserving water   | 8.7                                    | Conserving water  | 8.6                              | Water efficiency   |
| 12.10                                   | Giving notice of system failures                           | 8.9                                    | Giving notice of system failures                                | 8.8                              | Giving notice of system failures                           |
| 2.11                                    | Removal of trees   | 8.13                                   | Removal of trees  | 8.12                             | Removal of trees   |
| 13                                      | Defective or unauthorised work                             |  |   |                                  |  |
| 13.1                                    | Authorised connections                                     | 8.11                                   | Connections to services   | 8.10                             | Connections to services                                    |
| 13.2                                    | Defective or unauthorised work                             | 8.8                                    | Defective or unauthorised work                                  | 8.7                              | Defective work   |
| 13.3                                    | Building, landscaping and other construction work          | 8.10                                   | Building landscaping and other construction work                | 8.9                              | Building work  |
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# APPENDIX B

## PROPOSED CUSTOMER CONTRACT

Hunter Water's recommended changes are in blue text (deletions are not shown).

Green text indicates changes where Hunter Water recommends adoption of wording from Sydney Water's Customer Contract.





# HUNTER WATER'S PROPOSED CUSTOMER CONTRACT

HUNTER WATER



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## FOREWORD

Hunter Water provides **drinking water**, **wastewater services** and **stormwater services** to over half a million people in the Lower Hunter region. In addition, some **trade waste services** and **recycled water services** are also provided.

For Hunter Water, providing excellent service is an important part of our purpose of providing safe, reliable and efficient water and wastewater services to our community.

This **Customer Contract** outlines your rights and obligations as a user of Hunter Water **services** and sets out the minimum standards of customer service that you can expect.

For more information about Hunter Water and the **services** we provide visit [www.hunterwater.com.au](http://www.hunterwater.com.au).

## 1 INTRODUCTION

### 1.1 Words used in this Customer Contract

Words in bold in this **Customer Contract** have a special meaning. The meanings are set out in the definitions in clause 20.

### 1.2 Understanding the Customer Contract

There are a number of provisions in clause 20 that may assist you in interpreting the **Customer Contract**.

Other than clause 16.5, which sets out how our liability is limited to the extent permitted by Law, nothing in this **Customer Contract** is intended to remove or limit any statutory rights you may have under Law that cannot be excluded, including the consumer guarantees regime under the **Australian Consumer Law**.

## 2 WHAT IS A CUSTOMER CONTRACT AND WHO IS COVERED BY IT?

### 2.1 What is a Customer Contract?

This **Customer Contract** is between us, Hunter Water, and you, the **customer**. You do not need to sign this **Customer Contract** for it to be valid and binding.

This **Customer Contract** is a legally enforceable document and is a requirement of the **Act**. It provides the terms under which we provide the **services** to you. The **Customer Contract** also sets out each party's rights and obligations including your rights in any **dispute** with us.

This **Customer Contract** is summarised in a separate document called the *Customer Contract Summary* and is available on our website or by contacting us via the **General Enquiry Process**.

### 2.2 Who is covered by this contract?

**2.2.1** You are our **customer** and you are covered by relevant clauses of this **Customer Contract** as soon as you:

- (a) own **property** within our **area of operations** that has an **authorised standard connection** to our **water infrastructure**, our **wastewater infrastructure** or our **recycled water infrastructure**; or
- (b) own **property** that is within a **declared stormwater drainage area**; or
- (c) receive **water services**, **wastewater services** and/or **recycled water services** directly from us.

**2.2.2** If you have a contract for **water services**, **wastewater services** and/or **recycled water services** from a **licensee** under the **WIC Act**, this **Customer Contract** only applies to you for the services you receive **directly** from us.

**2.2.3** For the avoidance of doubt, this **Customer Contract** does not apply to a **wholesale water supply services customer** or **wholesale sewerage services customer**.

## **2.3 Other agreements with us**

**2.3.1** We may enter a **separate agreement** with you for the provision of different levels of service for example, a **non-standard water connection**, a **non-standard wastewater connection**, a **trade wastewater connection**, **recycled water connection**, **wholesale water supply service** or **wholesale sewerage service**. Before entering a **separate agreement** with you, we will provide you with an estimate of the costs to supply you with the service requested.

**2.3.2** If you have a **separate agreement** with us the terms of that agreement will take precedence over the terms of this **Customer Contract**, to the extent of any inconsistency between them.

## **2.4 When does this Customer Contract commence?**

**2.4.1** This **Customer Contract** will commence on 1 July 2017. **[Drafting Note: Subject to review/confirmation by IPART]**

**2.4.2** You will be a party to the **Customer Contract** when any of the events in clause 2.2 apply to you.

**2.4.3** On its commencement this **Customer Contract** replaces any previous customer contract between you and us. **If you have a separate agreement with us, that separate agreement will continue.** Any rights and liabilities that have accrued under any previous **customer contract** with us are not affected by the commencement of this **Customer Contract**.

## **2.5 When does this Customer Contract end?**

**2.5.1** This **Customer Contract** or **relevant clauses of this Customer Contract** will terminate between us and you if you cease to be covered by **all or part of this Customer Contract** as described in clause 2.2. The termination of this **Customer Contract** does not affect any rights or obligations of you or us that accrue prior to termination.

**2.5.2** If this **Customer Contract**, or part of the **Customer Contract**, terminates because you have requested that some or all of the **services** that we provide to your **property** be transferred to a licensee under the **WIC Act**, we will comply with the *Transfer Code of Conduct* established under that Act to affect the transfer.

## **2.6 Variation of this Customer Contract**

**2.6.1** We may vary this **Customer Contract** in accordance with the **Act**. If the **Customer Contract** is varied:

- (a) a **notice identifying** a variation to this **Customer Contract** (other than for variations of **charges** and fees) **will** be published in a daily newspaper circulating in the **area of operations** at least six months before the variation becomes effective, or a shorter period of notice as approved by the **Minister**; and
- (b) **where practicable**, a copy of the notice **will** also be given to each **customer with their next account although failure to do so will not invalidate the effect of the variation**.

**2.6.2** This requirement to give notice of variations to the terms of the **Customer Contract** does not apply to variations in **charges** and fees made in accordance with a determination by **IPART**.

**2.6.3** **Information on all** variations to the **Customer Contract** will be made available on our website or provided to you on request using any of the methods referred to in the **General Enquiry Process**.



### 3 WHAT WATER SERVICES DO WE PROVIDE?

#### 3.1 Drinking water quality

- 3.1.1** The **drinking water** we supply will comply with the health related guidelines provided in the **Australian Drinking Water Guidelines** or as specified by **NSW Health**.

#### 3.2 Supply of water

- 3.2.1** If your **property** has an **authorised standard connection** to our **water infrastructure**, unless prevented by events referred to in clause 8, we will provide a **drinking water service** to meet your reasonable needs.
- 3.2.2** If you **require** a continuous supply of **drinking water** you should make alternative arrangements in the event of an interruption to the **drinking water service**. Any such arrangements would be at your cost.

#### 3.3 Health or special needs

- 3.3.1** If you require a **continuous drinking water service** to operate a life support machine or for other special health needs you must notify us. We will include you on our list of **critical customers** and **will use our reasonable endeavours to provide a continuous drinking water service** to meet your reasonable health needs. However, disruptions to your **drinking water service** are not always preventable, so you should be ready to make alternative arrangements if necessary.
- 3.3.2** If you require a **drinking water service** to operate a life support machine or for other special health needs, you may also be eligible for a free water allowance.
- 3.3.3** **Critical customers** will receive notification of any **planned interruption** to the **drinking water service**. In addition, we will contact our **critical customers** as soon as possible in the event of any **unplanned interruption**.

#### 3.4 Drinking water pressure

- 3.4.1** We will use our **reasonable endeavours** to ensure that the **drinking water service** we provide for **authorised standard connections** does not experience a **low water pressure** event.

### 4 WHAT RECYCLED WATER SERVICES DO WE PROVIDE?

#### 4.1 Supply of recycled water

- 4.1.1** If your **property** is in a **recycled water area** and has an **authorised connection** to our **recycled water infrastructure**, unless prevented by events referred to in clause 8, we will provide you with a **recycled water service**.
- 4.1.2** We may supply other types of **recycled water** if your property is not in a **recycled water area** by way of **separate agreement** with us.
- 4.1.3** We will **use our reasonable endeavours to ensure** the **recycled water** we supply complies with the **Australian Guidelines for Water Recycling** or as **specified** by **NSW Health**.
- 4.1.4** If you are supplied with **recycled water**, we will give you information on the standard requirements for its safe use at the time we commence supply to you. We are not responsible for your use of recycled water contrary to the information we provide. **[Drafting Note: Subject to consideration of IPART's Issue 3]**

## 5 WHAT WASTEWATER SERVICES DO WE PROVIDE?

### 5.1 Supply of wastewater services

- 5.1.1** If your **property** has an **authorised standard connection** to our **wastewater infrastructure**, unless prevented by events referred to in clause 8, we will provide a **wastewater service** to meet your reasonable needs for the discharge of **domestic strength wastewater**.

### 5.2 Wastewater overflow

- 5.2.1** We will use our reasonable endeavours to minimise the incidence of **wastewater overflows** on your **property** due to a failure of our **wastewater infrastructure**.
- 5.2.2** If there is a **wastewater overflow** on your **property** due to the failure of our **wastewater infrastructure**, we will use our reasonable endeavours to:
- (a) minimise inconvenience and damage to you by **containing** the overflow as soon as possible;
  - (b) clean up the affected area as quickly as possible at our cost and in such a manner as to minimise the risk to human health, **where the affected area is limited to the area external to any building structures**; and
  - (c) **notify you of any** forms of redress available.

### 5.3 Wastewater mining

- 5.3.1** You may extract **wastewater** from our **wastewater infrastructure** only if you have obtained our prior written **consent** and entered into a **separate agreement** with us. You may also require **approval** from other **Authorities**. You **should** contact us **via the General Enquiry Process** for further information.

## 6 WHAT TRADE WASTE SERVICES DO WE PROVIDE?

### 6.1 Trade wastewater

- 6.1.1** To control the discharge of **trade waste** into our **wastewater infrastructure**, you must obtain our written **consent** and enter into a **separate agreement** with us **if required** to discharge **trade waste** into our **wastewater infrastructure** in accordance with our *Trade Wastewater Policy*.
- 6.1.2** We will not provide our consent if by accepting the **trade waste**, we are in breach or **potentially in breach**, of any **Laws**, our **Operating Licence**, our **Environment Protection Licences** or the **Act**.

## 7 WHAT STORMWATER SERVICES DO WE PROVIDE?

### 7.1 Stormwater drainage services

- 7.1.1** Hunter Water's **stormwater infrastructure** is located in the **declared stormwater drainage areas** and consists mostly of major open channels and pipe systems into which local council owned networks and street drainage systems discharge. Generally, your **stormwater** is not directly connected to Hunter Water's **stormwater infrastructure**. Hunter Water transports the **stormwater** collected through our **stormwater infrastructure** to its eventual discharge point.
- 7.1.2** If your property is within a **declared stormwater drainage area** we will charge you the fees for this service set by **IPART**.
- 7.1.3** You may contact us using the **General Enquiry Process** to determine if your land is within a **declared stormwater drainage area**.

## 7.2 Stormwater harvesting

- 7.2.1 You may extract **stormwater** from our **stormwater infrastructure** only if you have obtained our prior written **consent** and entered into a **separate agreement** with us. You may also require **approval** from other **Authorities**. You **should** contact us **via the General Enquiry Process** for further information.

## 8 FACTORS AFFECTING SERVICE

Hunter Water's obligations under clauses 3 to 7 are suspended for the duration of any of the following events, except clause 3.3.

### 8.1 Unplanned interruptions

- 8.1.1 If there is an **unplanned interruption** to your **services**, we will use our reasonable endeavours to minimise the inconvenience to you by restoring the **services** as quickly as possible.
- 8.1.2 Unless your **separate agreement provides otherwise**, access to emergency supplies of **drinking water** and/or toilet facilities may be provided where reasonably practicable and necessary having regard to the particular circumstances.
- 8.1.3 Our website will provide information in relation to the **unplanned interruption** (including details of any emergency assistance) as well as estimated times for restoration of the **services**.

### 8.2 Planned interruptions

- 8.2.1 We may need to arrange **planned interruptions** to your **services** to allow for **modification** (for example, a new customer connection) or planned **maintenance** of our **infrastructure**.
- 8.2.2 Our website will provide information in relation to the **planned interruption** as well as estimated times for restoration of the **services**.
- 8.2.3 We will notify you in writing of the expected time and duration of any **planned interruption**. We will provide you with two days notice if you are a **residential customer** and seven days notice if you are a **non-residential customer** (or such other times as agreed with you) of a **planned interruption**.
- 8.2.4 We will use our **reasonable** endeavours to reinstate your **services** within five hours in one continuous period.

### 8.3 Water restrictions

- 8.3.1 The **Hunter Water Regulation** allows the **Minister**, in the case of drought or other emergency, or in the interest of maintaining water supply, to place **water restrictions** on the **drinking water service**. You must comply with the conditions of the **water restrictions** during this time.
- 8.3.2 Notice of the **water restrictions** will be published in major newspapers circulating in the **area of operations** affected by the **water restrictions** and on our website.
- 8.3.3 The **water restrictions** may regulate or restrict, amongst other things:
- (a) the purposes for which **drinking water** may be used;
  - (b) the times when **drinking water** may be used;
  - (c) the quantities of **drinking water** that may be used;
  - (d) the means or methods of the use of **drinking water**;

(e) a variation of **charges** consistent with the **Act** and **Operating Licence**.

**8.3.4** Any **water restrictions** will override the relevant provisions of this **Customer Contract**.

**8.3.5** Authorised Hunter Water employees have the power to issue **penalty notices** for breaches of **water restrictions**.

## **8.4 Major operational incident**

**8.4.1** We may need to shut down part of our **infrastructure** if a **major operational incident** occurs. We may interrupt the **services**, or **arrange for the Minister to** place **water restrictions** on the use of **the drinking water services** to you until such time as the **major operational incident** is over.

**8.4.2** Where practicable, notice of the **major operational incident** will be published on our website.

## **8.5 Restriction or disconnection**

**8.5.1** We may **restrict** or **disconnect** your **services** for any of the reasons set out in clause 11.

## **8.6 Force majeure**

**8.6.1** Our ability to provide **services** to you may be affected by events beyond our reasonable control, such as:

- (a) severe weather or conditions resulting from severe weather (or like event as classified by the Bureau of Meteorology);
- (b) a physical natural disaster including fire, flood, lightning or earthquake;
- (c) directions, requirements or restrictions as notified by any relevant **Authority**; or
- (d) **Law** taking effect after the date of this **Customer Contract**.

# **9 WHAT YOU PAY**

## **9.1 How prices are set**

**9.1.1** We will set and vary **charges** from time to time as allowed by the **Act**, our **Operating Licence** and the maximum prices and methodologies determined by **IPART**.

**9.1.2** When the date for commencement of a variation occurs part way through your **billing cycle** we will apply the variation of **charges** on a daily 'pro-rata' basis.

## **9.2 Publication of Charges**

**9.2.1** Information on our charging policies, current **charges** and **concessions** is available on our **website** or by **contacting us via the General Enquiry Process**. It can be provided to you on request free of charge and, if **necessary**, in languages other than English.

**9.2.2** We will publish any variations to our **charges** and provide details with your next bill. The variation will commence on:

- (a) the first day of the next **billing cycle**;
- (b) a date we nominate after we have published the change; or
- (c) as determined by **IPART**.

### 9.3 Responsibility to pay the account

- 9.3.1 You are responsible for payment of the **charges** included on the bill and must pay us the amount of your bill by the date specified in accordance with our *Billing Policy*, unless you have made other **payment arrangements** with us under the *Debt Recovery and Hardship Policy*.

### 9.4 Concessions

- 9.4.1 If you hold one of the recognised pensioner concession cards you may be eligible for a government funded pension concession.
- 9.4.2 You must apply to us for the concession. To obtain information about your eligibility for a concession, please contact us via the **General Enquiry Process**.
- 9.4.3 If we determine you are eligible for a concession, we will ensure that it is applied to the full **billing cycle** in which it was requested. You must advise us using the methods available under the **General Enquiry Process** if your eligibility for a recognised concession card changes.
- 9.4.4 You authorise us to make enquiries with relevant **Authorities** to confirm your eligibility.

### 9.5 Your bill

- 9.5.1 When will your bill be sent?

- (a) We will issue a bill to **residential customers** every four months. If we intend to change the billing frequency, we will give you at least four months notice.
- (b) **Non-residential customers** may be sent an account on a monthly basis.
- (c) We will provide you with copies of your bills for the previous 12 months at any time on request, free of charge.

- 9.5.2 What information is on your bill?

We will ensure that your bill contains details of:

- (a) the dates to which the fees and **charges** apply;
- (b) any credit or overdue amounts from previous bills and the total amount due;
- (c) the usage and service fees separately itemised;
- (d) other fees and **charges** payable;
- (e) the date payment is due;
- (f) the most recent **meter** reading;
- (g) a comparison of your water usage, where available;
- (h) your postal address and account number;
- (i) the address of the **property** where the **charges** have been incurred;
- (j) options for the method of payment;
- (k) contact telephone numbers for account enquiries and emergency services;
- (l) how to get information on payment assistance options; and
- (m) information in community languages about the availability of interpreter services and the phone number for these services.

- 9.5.3 How are bills sent?

- (a) We will send your bill to your nominated postal address.

- (b) If you do not nominate a postal address, the account will be sent to:
  - (i) the **property** to which the **services** are available or provided; or
  - (ii) your last known postal address.
- (c) Your **bill** will be considered delivered to you if it is sent to one of these addresses. Please advise us if you move or your postal address changes.
- (d) We may offer other methods of providing you with your **bill** (such as e-billing) during the term of this **Customer Contract** and your **bill** will be considered delivered to you if it is sent by one of these methods.

#### 9.5.4 How can payment be made?

- (a) We will provide a range of payment options including **via the internet** or direct debit, **over the phone**, by mail or in person at an agency representing Hunter Water.
- (b) We may offer additional payment methods during the term of this **Customer Contract**. Current payment methods are shown on your latest **bill** and can be found on our website or obtained by contacting us **via the General Enquiry Process**.

#### 9.5.5 Overdue account balances

- (a) We may charge you interest on overdue account balances in accordance with **our Interest Standard**. The interest will accrue on a daily basis commencing on the due date until you have paid the amount that is overdue.
- (b) We **may** also charge the costs and fees that we incur in recovering (or attempting to recover) an overdue amount.
- (c) **We will not charge you interest on your overdue account if you have entered into a payment arrangement with us due to financial hardship.**

### 9.6 Undercharging

**9.6.1** If **due to our error** your **bill** states that you are required to pay us an amount that is less than what you are actually required to pay us (that is, we have undercharged you), we may adjust your next **bill** to include **as a separate item** the amount (or amounts) by which you were previously undercharged.

**9.6.2** However, if the undercharging is due to:

- (a) you providing false information;
  - (b) **you not providing up to date information in relation to a change of use of the property or the number of dwellings on the property;**
  - (c) an **unauthorised connection**; or
  - (d) your breach of this **Customer Contract** or the **Act**,
- you must pay the correct amount on request.

**9.6.3** We may also charge you from the date we determine an **unauthorised connection** to have occurred.

### 9.7 Overcharging

**9.7.1** If **due to our error** your **bill** states that you are required to pay us an amount that is greater than what you are actually required to pay us (that is, we have overcharged you), we will apply a credit to your next **bill** after we become aware of the error, **except where:**

- (a) **you have provided false information;**
- (b) **you have not provided up to date information in relation to a change of use of the property or the number of dwellings on the property;**



- (c) there is an **unauthorised connection**; or
- (d) you are in breach of this **Customer Contract** or the **Act**.

## **9.8 Account queries and disputes**

- 9.8.1** If you have questions regarding the **charges** on your **bill**, you should contact us via the **General Enquiry Process**.
- 9.8.2** If there is an unresolved **dispute** concerning an amount of money to be paid by you, we will not seek from you the amount that is the subject of the **dispute** until the **dispute** has been resolved in our favour. (Refer to clause 17.3 for when a **dispute** is considered resolved)
- 9.8.3** You are obliged to pay any undisputed amount by the due date shown on your account.

## **9.9 Wastewater usage charge**

- 9.9.1** The **wastewater** usage **charge** applies to **non-residential customers** only. We will determine a **wastewater discharge factor** that is used to calculate **wastewater** service and usage **charges**. Unless you have a wastewater meter, our **wastewater discharge factor** will be based on how you use your **property**. We may review the determined **wastewater discharge factor** for your **property** where you can provide measured data to validate the change. Information on the review is available on our website.
- 9.9.2** Where significant **wastewater** discharge volumes from your **property** originate from sources other than metered **water service** or metered **recycled water service** (for example, from rainwater or other on-site sources, tankered water or effluent), we may apply an additional **wastewater discharge factor** or require the **wastewater** discharge to be metered by a **meter** approved by us. The supply and installation of the approved **wastewater meter** will be at your cost (see clause 15).
- 9.9.3** Where a **wastewater discharge factor** is varied, the revised **charge** will apply from the beginning of the next **billing cycle**. We will notify you of any change to your **wastewater discharge factor**.

## **9.10 Other costs and charges**

### **9.10.1 Dishonoured or declined payments**

- (a) If payment of your account is dishonoured or declined, we will charge you the relevant maximum administrative fee specified by **IPART**.

### **9.10.2 Costs for installing and connecting services**

- (a) You must pay the installation costs of an **authorised connection** and the construction of any necessary works from your **property** to our **water infrastructure, recycled water infrastructure, wastewater infrastructure** or **stormwater infrastructure**.

### **9.10.3 Charges for other matters**

- (a) We may charge you a fee for any other **service** you request from us. You should contact us for further details of any ancillary **charges**.
- (b) We may also charge you other fees, **charges** and amounts where we are entitled to do so under the **Act**, the **Operating Licence** or any applicable **Law**.



## 10 WHAT CAN I DO IF I AM UNABLE TO PAY MY BILL?

### 10.1 Payment difficulties and assistance options

**10.1.1** If you are experiencing **financial hardship** you should contact us and we will provide you with information about [available options](#) to assist you [in accordance with our Debt Recovery and Hardship Policy](#). All reasonable effort will be taken by us to provide assistance to you.

**10.1.2** If you are experiencing **financial hardship**, you have a right to:

- (a) be treated sensitively on a case by case basis;
- (b) receive information from us on alternative **payment arrangements**;
- (c) seek a deferral of payment for a short period of time;
- (d) negotiate an amount you can afford to pay us on an agreed instalment plan. If you are a **non-residential customer** these arrangements will be based on reasonable commercial considerations and market conditions; and
- (e) access to a language interpreter, if required, at no cost to you.

**10.1.3** Additionally, if you are a **residential customer** experiencing **financial hardship**, you will be [provided with information about other options](#) that may assist such as:

- (a) [the possibility of paying smaller amounts on a regular basis](#);
- (b) accredited [community](#) agencies [offering](#) financial assistance, such as payment assistance scheme credit;
- (c) government concession [programs](#); or
- (d) other programs which may assist you.

**10.1.4** If you enter into a **payment arrangement** with us, we will:

- (a) [allow](#) you to make payments by instalments;
- (b) inform you of the period of the payment plan and the amount and frequency of each instalment;
- (c) provide for instalments to be calculated having regard to your consumption needs, your capacity to pay and the amount of any arrears you are required to pay; and
- (d) provide you with procedures that are fair and reasonable for dealing with the **financial hardship**.

**10.1.5** [If you are unable to meet your scheduled payment you will need to contact us immediately to reschedule the payment to prevent recovery action.](#)

## 11 RESTRICTION OR DISCONNECTION OF SERVICES

### 11.1 Restriction or disconnection of supply for non-payment

**11.1.1** If you have not paid the [bill](#) by the due date and have not entered into a **payment arrangement** with us, we may take legal action to recover the debt or **restrict** or **disconnect** your **services** [in accordance with our Debt Recovery and Hardship Policy](#).

**11.1.2** You [may](#) face additional costs if we take legal action, or **restrict** or **disconnect** your **services**.

## 11.2 Notice of restriction or disconnection for non-payment

- 11.2.1** If you fail to pay your **bill** by the due date and your recent payment history is good (payment commitments have been consistently honoured and no additional debt recovery action had commenced on your account in the previous 12 months) we will send you a reminder notice. The reminder notice will **advise you**:
- (a) **of the amount payable and that** payment is due within seven days of issue;
  - (b) to contact us if you are having difficulty making payment **so we can** provide you with information about options available to assist you, **in accordance with clause 10.1**; and
  - (c) of your right to raise your concerns with the **EWON** **if you have attempted to resolve those concerns with us and** are not satisfied with a decision made by us.
- 11.2.2** If you fail to comply with the reminder notice we will issue a final notice. The final notice will advise you:
- (a) **of the amount payable and that** payment is due immediately **to avoid** debt recovery **action** or the **restriction** or **disconnection** of the **services** to your **property**;
  - (b) **to contact us** if you are having difficulty making payment **so we can** provide you with information about options available to assist you, **in accordance with clause 10.1**;
  - (c) **that** you may incur additional costs relating to us **taking** debt recovery **action** or the **restriction** or **disconnection** of the **services** to your **property**; and
  - (d) of your right to raise your concerns with the **EWON** **if you have attempted to resolve those concerns with us and** you are not satisfied with a decision made by us.
- 11.2.3** If we intend to **restrict** or **disconnect** a known tenanted **property**, notice will be sent to your nominated address as well as the **serviced property** before we **restrict** or **disconnect** the **services**.
- 11.2.4** We may **restrict** or **disconnect** the **services** to your **property** if at least seven days have elapsed since we issued the final notice and you have still not paid the account.
- 11.2.5** If you receive an account for a new **billing cycle** that contains an overdue amount from a previous **billing cycle**, we may **restrict** or **disconnect** the **services** on the arrears after issuing you with the appropriate notices relating to the overdue amount as described in this **clause**.
- 11.2.6** Information on our practices and procedures relating to **financial hardship**, debt, **restriction** and **disconnection** are outlined in our *Debt Recovery and Hardship Policy*, which is available on our website.
- 11.2.7** We will not **restrict** or **disconnect** the **services** or commence recovery action **in relation to non-payment of your account**:
- (a) **without giving appropriate notice in accordance with this clause 11 of our intention to restrict or disconnect your services**;
  - (b) if there is an unresolved **dispute** as to the amount owing (for when a **dispute** is deemed to be resolved for this purpose please see clause 17.3);
  - (c) if you have entered into **or are in the process of entering into a payment arrangement** due to **financial hardship** and are complying with the agreed terms; or
  - (d) you have notified us that you have sought assistance from a **community** agency and that assistance is imminent.
- 11.2.8** We will not **restrict** or **disconnect** your **services**:
- (a) if you have notified us that you need **drinking water** for a life support machine or other special needs **(as per clause 3.3)**;

- (b) on a Friday, the weekend or on a public holiday or the day before a public holiday, or after 2 pm on a weekday;
- (c) without advising the occupier that in some circumstances the **Act** permits a tenant to pay outstanding **charges**;
- (d) without providing the occupier reasonable opportunity to pay the account; or
- (e) if a related **complaint** is being considered for resolution by Hunter Water or EWON, or by legal proceedings.

### 11.3 Restriction or disconnection for other reasons

#### 11.3.1 We may **restrict** or **disconnect** the **services** to your **property** if:

- (a) you have an **unauthorised connection** to our **infrastructure**;
- (b) we become aware your **systems** are **defective** and you fail to rectify such **defect** as requested by us in accordance with clause 13 of this **Customer Contract**;
- (c) you breach this **Customer Contract**, the **Act**, a **separate agreement** or any other agreement with us, concerning the use or taking of water or the discharge of **wastewater** or **stormwater**;
- (d) you fail to ensure access to our **meter** on your **property** in accordance with clause 15.2. Prior to taking this step, we will use our reasonable endeavours to contact you to arrange reasonable access, leave a notice requesting access and provide you with a **disconnection** warning;
- (e) the poor quality of your pipes prevents us from exchanging the **meter** and you have failed to address this within 30 days of our notifying you of this;
- (f) we issue you with a written notice requiring the installation of the appropriate **backflow prevention device** in accordance with our *Backflow Prevention Standard* and you have not complied with this written notice;
- (g) you discharge **trade wastewater** into our **wastewater infrastructure** without a **trade waste agreement** with us or do not comply with the conditions of the **trade waste agreement**;
- (h) you are connected to a **pressure wastewater system** that is owned by Hunter Water (refer to clause 12.5) and you do not comply with your **separate agreement** or the **operation and maintenance** requirements;
- (i) a serious health, environmental or operational risk is posed by the discharge of chemicals or other substances into our **wastewater infrastructure**;
- (j) a serious health or environmental risk is posed by backflow of any substance from your **water system** into our **water infrastructure**;
- (k) you use your **recycled water** in a manner inconsistent with its intended purpose or in a manner contrary to the information we provide about the safe use of **recycled water**;
- (l) we are entitled or required to **restrict** or **disconnect** by direction of the **Minister** or under any applicable **Law**; or
- (m) if the **customer** is a **non-residential customer**, an **Insolvency Event** occurs.

### 11.4 Minimum flow rate

#### 11.4.1 If we **take restriction action**, we will provide a reasonable flow for health and hygiene purposes. If you believe that the **restriction** will cause a health hazard you should contact us.

## 11.5 Disconnection by a customer

**11.5.1** You may **disconnect** your **property** from our **water infrastructure**, **recycled water infrastructure** or **wastewater infrastructure** provided that:

- (a) you have paid the relevant fee; and
- (b) the **disconnection** is undertaken by a licensed plumber or drainer and conducted in accordance with *Hunter Water's Water Services Connections Standard or Wastewater Connections Standard* as applicable; and
- (c) you have complied with all applicable **Laws**; and
- (d) you have given us all information we may reasonably require; and
- (e) you or your licensed plumber have given us two business days notice of the **disconnection** from the **infrastructure**, booked an inspection of the work and returned any of our **infrastructure** to us (i.e. the **meter**).

**11.5.2** We will continue to charge you a **service charge**, even if you are not using the **service**, until the **disconnection** has been confirmed and/or any of our **infrastructure** is returned to us.

## 11.6 Restoration of services after restriction or disconnection

**11.6.1** Following **restriction** or **disconnection**, we may restore the **service** if the reason for the **restriction** or **disconnection** no longer exists and you pay the reconnection fee. If these conditions are met we will restore:

- (a) your **water service** on the same day, if you pay before 2pm on any business day; or
- (b) your **wastewater service** within 24 hours.

**11.6.2** If the conditions for restoration are met after 2 pm on any business day, we may restore the **water service** on the same business day but you will be required to pay an after-hours reconnection fee as set by **IPART**.

## 12 RESPONSIBILITIES FOR MAINTENANCE AND REPAIR

### 12.1 Drawings

**12.1.1** Clause 20.3 contains drawings showing responsibilities for **maintenance**. These drawings are indicative only. Refer to our *Water Services Connection Standard* and/or *Wastewater Connection Standard* for further information.

### 12.2 Our responsibilities regarding our infrastructure

**12.2.2** Hunter Water is only responsible for maintaining and repairing its **infrastructure**.

### 12.3 Your responsibilities regarding your water system

**12.3.1** As the **property owner**, you own and are responsible for maintaining and repairing **your water system**.

**12.3.2** You are also responsible for any damage caused by a failure of **your water system**.

**12.3.3** We may maintain and repair **your water system** up to and including the **meter** as long as **your water system** complies with our *Water Services Connection Standard*. If the **meter** is more than one lineal metre inside your **property** (in any direction), we will only maintain and repair up to one lineal metre along the pipe inside your **property** plus the **meter**. We will only maintain and repair your **path tap** if it is less than one lineal metre inside your **property**.

**12.3.4** If there is no **meter**, we will maintain and repair **your water system** up to one lineal metre along the pipe within your **property** boundary closest to our **water infrastructure**. Your **property** includes any easement within which your **meter** or private service may be situated.

**12.3.5** We are not responsible for the installation, modification, repair, **maintenance, disconnection, disposal or annual testing** (where applicable) of:

- (a) water connections between our **infrastructure** and the **meter**;
- (b) **backflow prevention devices** on properties, except where the device is integrated into the **meter** supplied and owned by us;
- (c) main to **meter** services equal to or greater than 40 millimetres diameter and/or that are designed and installed to meet a **customer's** supply requirements;
- (d) **unauthorised connections**;
- (e) dedicated **fire services** or combined fire and domestic water services connected to our **water infrastructure**;
- (f) water services connecting to privately-owned water mains such as in some community title subdivisions or **private joint services**;
- (g) private water services connecting to our **water infrastructure** under the terms of a **separate agreement**; or
- (h) **damage to your water system** not caused by Hunter Water.

**12.3.6** You should contact us via the **General Enquiry Process** if you have any questions about the repair and **maintenance** responsibilities for **your water system**.

## **12.4 Your responsibilities regarding your wastewater system**

**12.4.1** You are responsible for maintaining and repairing **your wastewater system**.

**12.4.2** It is possible that the **connection point** with our **wastewater infrastructure** is outside your **property**. If you do not know where the **connection point** is, you should contact us [via the General Enquiry Process](#).

**12.4.3** We are not responsible for the installation, modification, repair, **maintenance, disconnection, disposal or annual testing** (where applicable) of:

- (a) **wastewater services** connecting to privately owned **wastewater** mains such as in some community title subdivisions or shared private services;
- (b) **private wastewater** services connecting to our **wastewater infrastructure** under the terms of a **separate agreement**; or
- (c) **damage to your wastewater system** not caused by Hunter Water.

**12.4.4** We will also not meet the costs of installing new private services or modifying, upsizing or relocating existing private services. [You should contact us via the General Enquiry Process](#) if you have any questions about the repair and **maintenance** responsibilities for **your wastewater system**.

### **12.4.5 Blockage of the wastewater system**

- (a) If a blockage occurs and you suspect that it is a blockage in our **wastewater infrastructure**, you should notify us.
- (b) If the blockage occurs in our **wastewater infrastructure** we will clear the blockage at our cost. However, you are liable to pay to the extent you have contributed to the blockage.
- (c) If the blockage occurs in your **wastewater system**, you are responsible for arranging the blockage to be cleared by a licensed plumber at your cost.

## **12.5 Pressure wastewater system**

**12.5.1** **Pressure wastewater systems** use pressure created by pumps, instead of gravity, to transport **wastewater** to our **wastewater infrastructure**.



- 12.5.2** If you have a **pressure wastewater system**, you will generally have a collection tank, a pump, an alarm control panel and a boundary kit (known as the **connection point**) on your **property**.
- 12.5.3** There are different repair and **maintenance** obligations depending on whether the **pressure wastewater system** is owned by us or by you.
- (a) **Hunter Water Pressure Wastewater System (HWPSS)**
- If you are a **residential customer** connected to our **wastewater infrastructure** via a HWPSS, we will repair and maintain up to and including the collection tank. We will also repair and maintain the control panel and the power cable to the pump, as shown in the relevant drawing at clause 20.3.
- (b) **Private Pressure Wastewater System (PPWS)**
- If you are a **residential customer** connected to our **wastewater infrastructure** via a PPWS, you are responsible for repairs and **maintenance** from the boundary kit to your **property** as shown in the relevant drawing at clause 20.3.
- 12.5.4** We may need to enter into a **separate agreement** depending upon the location of the boundary kit. You must ensure you maintain your pump and storage tank as set out in this **separate agreement**.
- 12.5.5** You are also responsible for any **approvals** from any **authority** relating to the installation and ongoing use of the **pressure wastewater system**.
- 12.6 Non-standard connections**
- 12.6.1** A standard connection is one that gives you the level of serviced outlined in this **Customer Contract**. If a **standard connection** is not available, then you may seek a **non-standard connection**. If we approve a **non-standard connection**, this will give you access to our **services**, but these **services** will be provided at a different standard to those outlined in this **Customer Contract**. The level of service we give you, and your responsibilities to maintain any equipment, will be listed in a **separate agreement**. Approval of a **non-standard connection** will be at Hunter Water's discretion.
- 12.6.2** Generally (but subject to the terms of that **separate agreement**), if your **property** has a **non-standard wastewater connection** we will repair and maintain the system up to the **connection point** with our **wastewater infrastructure**, which may be outside the **property** boundary.
- 12.6.3** If your property has a **non-standard water connection** we will repair and maintain the system up to the **connection point** with our **water infrastructure**, which is located at our water main. You should engage a licensed plumber to repair leaks on your **water system**.
- 12.6.4** You should contact us via the **General Enquiry Process** if you have questions about your **non-standard wastewater connection**.
- 12.7 Private joint service**
- 12.7.1** A **private joint service** exists if more than one **property** receives **services** from the one **connection point**.
- 12.7.2** Each **owner** is responsible for the repairs and **maintenance** of the **private joint service** and any damage to private or public property resulting from a defect in the **private joint service**. Your shared responsibility starts from the **connection point** to our **infrastructure**. The apportionment of costs incurred in its **maintenance** is a matter between you and others who share it.

**12.7.3** **Disconnection** of individual properties from **private joint services** is a matter between the relevant property owners. We have no authority in respect to **disconnection from private joint services**. If you are the **account holder**, you must apply for **disconnection**, as described in clause 11.5.

## **12.8 Stormwater connections, coverings and bridges**

**12.8.1** You are responsible for the **maintenance** of any connections between your **property** and our **stormwater infrastructure** regardless of land ownership.

**12.8.2** You are **responsible** for the **maintenance** of any coverings, bridges or similar structures within your **property** that cover or cross our **stormwater infrastructure** unless they are owned by us.

## **12.9 Conserving water**

**12.9.1** You may install water efficient plumbing fixtures, appliances and equipment as recommended under the *Water Efficiency and Labelling and Standards Scheme*.

**12.9.2** You may install water saving devices, for example:

- (a) that collect and use rainwater for your own use. Provided that the water tanks are not directly connected to our **water infrastructure** in any way, you do not need to meet any of our requirements. However, if the water tank is to be directly connected to our **water infrastructure**, you will be required to install the appropriate site containment **backflow prevention device**. This is to avoid the risk of contamination of our **drinking water** supply.
- (b) a composting toilet that does not require connection to our **water infrastructure** or our **wastewater infrastructure**.

**12.9.3** You must comply with **BASIX** requirements and all applicable **Laws** when installing water saving devices. Approval may be required from your local council.

**12.9.4** For **non-residential properties**, where rainwater tanks with a volume exceeding 20,000 litres are installed to supply plumbing facilities connected to our **wastewater infrastructure** (for example, where rainwater is used for toilet flushing, laundry supply, floor wash down), we may require **wastewater** discharge to be metered or may impose an additional **wastewater discharge factor** as set out in clause 9.9.

**12.9.5** Information on how to conserve water is available on our website or by contacting us via the **General Enquiry Process**.

## **12.10 Giving notice of system failures**

**12.10.1** You should inform us if you become aware of:

- (a) any failure of our **infrastructure**;
- (b) any interruption or disruption to your **water service** or **wastewater service**; or
- (c) a burst, overflow or leak in our **infrastructure**

and we will attend to the incident as soon as practicable.

## **12.11 Removal of trees**

**12.11.1** If a tree on your **property** is obstructing or damaging our **infrastructure**, or is reasonably likely to do so, we may require the removal of the tree. **Except where the Act provides otherwise, this will be** at your cost. We may **be required to** reimburse you for reasonable expenses **where required by the Act**. You may contact us via the **General Enquiry Process** for further information.



- 12.11.2** We will give you 14 days notice requiring you to remove the tree. You may, with our consent and at your cost, take steps to eliminate the cause of damage or interference to our **infrastructure**, without removing the tree.
- 12.11.3** If you fail to comply with the notice to remove the tree, by the specified date, then we may remove the tree and recover the costs of removal from you.
- 12.11.4** We cannot require a tree to be removed that is the subject of a protection or conservation order under the *Heritage Act 1977* (NSW) or the *National Parks and Wildlife Act 1974* (NSW) or similar **Law** but not including any environmental planning instrument.

## 13 DEFECTIVE OR UNAUTHORISED WORK

### 13.1 Authorised Connections

- 13.1.1** Connection to our **water infrastructure**, **wastewater infrastructure** or **stormwater infrastructure** must be approved by us and comply with the conditions we set to ensure the safe and reliable supply of **services**. The connection must be undertaken by a licensed plumber and in accordance with our **connection requirements**, including our *Water Services Connection Standard*, *Wastewater Connection Standard* or *Trade Wastewater Connection Standard* (as applicable). If you do not comply with these requirements you will be considered to have an **unauthorised connection**.

### 13.2 Defective or unauthorised work

- 13.2.1** If we become aware of any **defective works** or **unauthorised connection to our infrastructure**, we will request the **defective works** or **unauthorised connection** to be rectified within a reasonable time.
- 13.2.2** If you do not comply with the notice, we may **restrict** or **disconnect** your **services** until it is fixed. We may also remedy the **defective works** or **unauthorised connection** and you will be charged the reasonable costs incurred by us in undertaking this work and in reconnecting you.
- 13.2.3** We may **restrict** or **disconnect** your **services** without notification if your **defective works** or **unauthorised connection** presents a health or physical hazard to our employees, **infrastructure** or the community in general.

### 13.3 Building, landscaping and other construction work

- 13.3.1** In order to protect our **infrastructure**, you must not undertake any excavation, building, landscaping or other construction work that is over, or adjacent to, our **infrastructure** without first requesting our consent. Such consent can be given subject to certain conditions or withheld at our sole discretion as outlined in our *Building Over and Adjacent to Assets Standard*. If you do not comply with these requirements you will be considered to have undertaken **unauthorised works**.
- 13.3.2** We may request that you remove any **unauthorised works** that has the potential to interfere with our **infrastructure** at your cost. If you do not comply with our request within the required timeframe, we may remove the **unauthorised works** and charge you the reasonable costs incurred by us in undertaking this work.
- 13.3.3** Failure to obtain approval or comply with the conditions of an approval will limit our obligation to reinstate the **unauthorised works** or the obligation for compensation (see clause 14.4) as a result of our need to access our **infrastructure**.
- 13.3.4** Properties with an existing water service must be metered during the building period. The **meter** must be accessible (as described in clause 15.1) at all times.

## 13.4 Altering and unauthorised connection or use

### 13.4.1 You must not:

- (a) wrongfully take, use or divert any water supplied by us;
- (b) wrongfully interfere with the operation of a **meter**, **metering system** or prevent a **meter** from registering the quantity of water supplied by us;
- (c) use a dedicated **fire service** for any purpose other than firefighting or testing of the **fire service**;
- (d) wrongfully discharge any substance into our **infrastructure**; or
- (e) carry out any activity that may alter, cause destruction of, damage to, or interfere with, our **infrastructure**.

## 14 ENTRY ONTO A CUSTOMER'S PROPERTY

### 14.1 Access to Hunter Water's infrastructure

#### 14.1.1 You must ensure that we have safe access **while on** your **property**:

- (a) to maintain **or inspect** our **infrastructure**;
- (b) to ensure compliance with this **Customer Contract**, the **Operating Licence** or the **Act**;
- (c) to read, **test, inspect, maintain or replace the meter**; or
- (d) for other purposes set out in the **Act** or other applicable **Law**.

### 14.2 Identification

#### 14.2.1 When we enter your **property**, our employees or contractors will carry identification that will be shown to you (or to any person present at the time of access).

### 14.3 Notice of access

#### 14.3.1 We will give you, or the occupier of your **property**, two **business** days written notice specifying the date and approximate time of our entry onto your **property**, except where:

- (a) you have agreed to a shorter period;
- (b) in our opinion entry is required urgently;
- (c) giving notice would defeat the purpose of entry;
- (d) we conduct a **water restriction** investigation on your **property**;
- (e) we conduct a general **property** inspection **to check compliance with applicable Policies and Standards**;
- (f) we **conduct an assessment of** the operation or condition of our **infrastructure** where that inspection is not intrusive; or
- (g) **we need to investigate a health or safety issue**.

### 14.4 Impact on customer's property

#### 14.4.1 If we enter your **property** we will **use our reasonable endeavours** to:

- (a) cause as little disruption or inconvenience as possible;

- (b) remove all rubbish and equipment we have brought on to the **property**; and
- (c) unless otherwise agreed, leave the **property**, as near as possible, in the condition that it was found on entry.

**14.4.2** Where our activities result in inconvenience, damage or loss to you or your **property**, we may provide redress as outlined in clause 16.

**14.4.3** You may be entitled to compensation under the **Act** for damage incurred by our entry to your **property**. Any entitlement to compensation will be subject to the conditions set out in clause 16.4.

## **15 WATER METER READING, INSTALLATION, TESTING AND MAINTENANCE**

### **15.1 Installing and maintaining the meter**

**15.1.1** Unless we otherwise agree, your **property** must have a **meter**. Separate **meters** will be installed for **drinking water** and **recycled water** where the **property** has connection to both **services**.

**15.1.2** An approved site containment **backflow prevention device** appropriate to the **property's** hazard rating must be fitted. **Most residential properties** with low hazards serviced by either a 20mm or 25mm **meter** already contain a **backflow prevention device** as part of the **meter**. Properties with larger **meters** or which have a higher hazard rating as determined under the *Backflow Prevention Standard*, must comply with any additional requirements under our *Backflow Prevention Standard*.

**15.1.3** You are required to pay for the installation of the **meter** and ensure that it is installed either by us or a licensed plumber. The **meter** is to be fitted within one metre of your **property** boundary. If a **meter** cannot be fitted in this location, the **meter** must not be installed until we have approved an alternative location.

**15.1.4** The installed **meter** remains our property and we will maintain it. We may charge you for the cost of repair or replacement of the **meter** and its assembly if it is wilfully or negligently damaged by you.

**15.1.5** You are responsible for installing the pipework on either side of the **meter**. You are also responsible for maintaining the pipework located on either side of the **meter**, unless we maintain it under clause 12.2. For further details, refer to the *Water Services Connections Standard*.

**15.1.6** If there is no **meter** measuring the supply of water to your **property** we will charge you an unmetered service charge as approved by **IPART**.

**15.1.7** We may require that you fit a **meter** to your **fire service**. This requirement will be noted in your **connection** approval.

**15.1.8** You must not remove a **meter** from your **property** without our consent.

### **15.2 Access to the meter**

**15.2.1** We may enter your **property** without notice to read, test, inspect, maintain or replace the **meter**.

**15.2.2** You must ensure that the **meter** is accessible to Hunter Water or its representatives at all times. The **meter** and the visible pipe connected should be clear of concrete, plants, trees bushes and other obstructions.

- 15.2.3** If you have not provided reasonable and safe access to your **meter**, we will bill you on an estimate of your usage and will also recover the cost of the attempted **meter** reading.
- 15.2.4** If you have not provided reasonable and safe access to the **meter**, we **may**:
- (a) **require you to:**
    - (i) **relocate the meter at your cost;**
    - (ii) **read the meter yourself and provide us with the reading; or**
    - (iii) **install a remote reading device, which may attract an additional fee.**
  - (b) **seek access at a time suitable to you, which may attract an additional fee;**
  - (c) **take action under clause 11.3 and restrict or disconnect your services until you provide reasonable and safe access around the meter; or**
  - (d) **make other arrangements with you.**

**15.2.5** If you intend to relocate your **meter**, you should engage a licensed plumber at your cost. Your plumber should check **our current Water Services Connections Standard** before relocating the **meter**.

### **15.3 Measuring water supplied**

- 15.3.1** You will be charged for the quantity of water measured by the **meter**, unless the **meter** is faulty and we are required to adjust what we charge you under clause 15.4.
- 15.3.2** It is an offence under the **Act** to tamper with a **meter** or to divert water in a manner that prevents the **meter** from recording usage.
- 15.3.3** If a **meter** is stopped or damaged, an estimated **usage** will be calculated on a basis that is representative of your usage pattern.
- 15.3.4** Where in our opinion no satisfactory basis exists to adjust a usage **charge**, we will negotiate with you a mutually agreeable adjustment of **charges** based on an estimated reading.
- 15.3.5** When the price for water or **wastewater** usage is varied on a date that falls within your **meter** reading period, we will apply the new price on a pro rata basis.
- 15.3.6** We will use our **reasonable** endeavours to provide an actual **meter** reading at least once every 12 months, inclusive of **meter** readings taken by you on our behalf.
- 15.3.7** Where the **meter** is part of an automated meter reading system in a multi level building, we may share your **meter** reading information with the Owners Corporation or building manager.

### **15.4 Meter testing**

- 15.4.1** If you consider that the **meter** is not accurately recording water passing through it, you may request that we test it. We will advise you of the **meter** test results and make available a written report on your request.
- 15.4.2** You will be required to pay the costs of the **meter** test prior to the test proceeding. This cost will be refunded if the **meter** is shown to be inaccurate.
- 15.4.3** If the test shows that the **meter** is over recording by over four per cent (4%) of the actual volume of water passing through it, we will:
- (a) **replace the meter;**
  - (b) **refund the charge paid by you for the test under clause 15.4.2; and**

- (c) recalculate your account on the basis that is representative of your usage pattern.

## 15.5 Meter replacement

15.5.1 We will replace the **meter** at no cost to you if the **meter**:

- (a) is found to be **defective**; or
- (b) is replaced as part of a **meter** replacement program.

15.5.2 If we incur additional costs to replace the **meter** because of actions by you (e.g. restricted access to the **meter**, structural work at or near the **meter**), we will recover those additional costs from you.

15.5.3 We will **attempt** to notify you at the time of replacement and advise you that a new **meter** has been installed. A mutually acceptable time will be negotiated with **non-residential customers** for the replacement of **meters**, where practicable.

15.5.4 If a **meter** has been stolen from your **property**, you are required to engage a licensed plumber to place a spacer where the **meter** was installed and to advise us of the stolen **meter**. We will arrange for a new **meter** to be installed and you will be required to pay any related fees.

## 16 REDRESS

### 16.1 Notification

16.1.1 If you **believe we have failed** to comply with this **Customer Contract** or our activities **have resulted** in inconvenience, damage or loss to you or your **property**, you must notify us and we will investigate the matter and **provide you with a response**. That response will include:

- (a) **whether you are entitled to** a rebate **or other** redress options available under this clause;
- (b) **the options available to** rectify your problem; and
- (c) **the availability of** compensation under clause 16.4.

### 16.2 Rebates

16.2.1 You may be entitled to a rebate if any of the events in 16.2.2 to 16.2.7 occur as long as:

- (a) you have an **authorised standard connection**;
- (b) you, or a third party, have not caused or contributed to the event; and
- (c) the interruption to **services** is not as a result of a **Force Majeure** event referred to in clause 8.6 or similar.

#### 16.2.2 Unplanned interruptions

- (a) If you experience an **unplanned interruption** to your **drinking water service (not including your recycled water service)** of over five hours in duration between the hours of 5:00am and 11:00pm due to a failure of our **water infrastructure**, a rebate of 15 kilolitres will be applied to the water usage component of your next bill. You will receive this rebate for the first and second event that you experience in a financial year.
- (b) If you experience three or more **unplanned interruptions** to your **drinking water service (not including your recycled water service)** between the hours of 5:00am and 11:00pm in a financial year due to a failure of our **water infrastructure**, each exceeding one hour in duration, a rebate of 15 kilolitres will be applied to the water usage component of your next bill.
- (c) If you experience one or more **unplanned interruptions** to your **drinking water service (not including your recycled water service)** between the hours of 11:00pm and 5:00am due to a failure of our **water infrastructure** and provide details of the inconvenience

caused, you will be eligible for the above rebate. You should make initial contact via our **General Enquiry Process**.

#### 16.2.3 Planned interruptions

If you experience three or more **planned interruptions** to your **drinking water service** (not including your **recycled water service**) between the hours of 5:00am and 11:00pm in a financial year, each exceeding five hours in duration, a rebate of 15 kilolitres will be applied to the water usage component of your next bill.

#### 16.2.4 Low water pressure

If we assess your property as having experienced at least one **low drinking water pressure event due to a failure of our water infrastructure**, a rebate of 15 kilolitres will be applied to the water usage component of your next bill. Only one rebate will be applied in a financial year.

#### 16.2.5 Wastewater overflows

- (a) If you experience a **dry weather wastewater overflow** on your **property** in a financial year as a result of a failure of our **wastewater infrastructure** (not including shaft breaks), a rebate of 30 kilolitres will be applied to the water usage component of your next bill after the first event.
- (b) If you experience two **dry weather wastewater overflows** on your **property** in a financial year due to a failure of our **wastewater infrastructure** (not including shaft breaks), a rebate of 60 kilolitres will be applied to the water usage component of your next bill after the second event, and
- (c) If you experience three or more **dry weather wastewater overflows** on your **property** in a financial year due to a failure of our **wastewater infrastructure** (not including shaft breaks), a rebate of 60 kilolitres will be applied to the water usage component of your next bill after the third event.

#### 16.2.6 Dirty Water

- (a) If you are not provided with clean **drinking water** suitable for normal domestic purposes, you should contact us on the **Emergency (faults and leaks) Assistance Line**.
- (b) We may provide compensation for damage caused by dirty drinking water (see clause 16.4) and we may refund you the cost of water used to flush your **water system**.
- (c) We will undertake an investigation of recurrent dirty **drinking water** problems to derive a long term solution.

#### 16.2.7 Boil Water Alert

If **NSW Health** issues a boiled water alert due to contamination of **drinking water** that has been caused by us, a rebate of 15 kilolitres will be applied to the water usage component of your next bill, if your **property** is within the declared boiled water alert area.

### 16.3 Forms of redress

#### 16.3.1 In addition to our obligation to pay a rebate under clause 16.2, we may provide one or more of the following forms of redress:

- (a) reinstatement;
- (b) repair;
- (c) rectification;
- (d) construction of works;
- (e) providing alternative supplies of water;
- (f) emergency accommodation;



(g) payment for damages as set out in clause 16.4.

**16.3.2** If you are unsatisfied with the form of redress we provide you, you may request additional redress from us. We will consider your request in accordance with the timeframes in clause 17.1 as if your request were a **complaint**.

#### **16.4 Claim for damages**

**16.4.1** In the event of physical loss or damage to you or your **property** as a result of our failure to comply with this **Customer Contract**, the **Operating Licence** or the **Act**, we may compensate you for any loss suffered, following our investigation of the matter. **However** you should make your initial claim to your insurance company. If your loss is not covered by an insurance policy you may notify us for consideration.

**16.4.2** If you make a claim for damages you must specify the nature of the problem and the type of compensation sought. **We will require** relevant documentation and evidence in support of your claim for damages **as part of our consideration of your claim**.

**16.4.3** We will use **reasonable endeavours to acknowledge receipt of your matter** within 5 business days **including the provision of a case identification number that will assist you with tracking your claim**.

**16.4.4** **We will undertake investigations into the circumstances surrounding the claim/incident and provide a response time for making a decision in regard to your claim.**

**16.4.5** **Within the time indicated, you will be provided with a written assessment of your claim outlining the reasons for the decision and whether any compensation will be paid.**

**16.4.6** If you are not satisfied with our decision, you have the right to seek review of your claim under clause 17.2 or you may seek an external review under clause 17.4.

#### **16.5 Limitation of Liability**

**16.5.1** The only promises we make about the goods and **services** we provide under this **Customer Contract**, and the only conditions and warranties included in this **Customer Contract** are:

- (a) those set out in this **Customer Contract**; and
- (b) those that the **Law** (for example, the **Australian Consumer Law**) say are included.

**16.5.2** However, where we are liable to you because of a breach of a condition or warranty that the **Law** says is included in this **Customer Contract**, our liability is to the extent permitted by **Law**, limited to:

- (a) replacing the goods and **services** to which the breach relates; or
- (b) at our option, paying you the cost of replacing those goods, or having the **services** supplied again.

**16.5.3** The limitation of our liability does not affect rights you may have under a **Law** that applies to us that says we cannot exclude or limit our liability.

### **17 WHAT CAN I DO IF I AM UNHAPPY WITH THE SERVICE PROVIDED BY HUNTER WATER?**

#### **17.1 Customer Complaints**

**17.1.1** **A complaint should be made using the methods referred to in the General Enquiry Process.**



**17.1.2** We will address your **complaint** in accordance with the procedures set down in our *Complaint and Enquiry Policy*. Generally (unless otherwise provided in our *Complaint and Enquiry Policy*), where we are unable to resolve your **complaint** immediately, we will acknowledge receipt of your matter within 5 business days and provide a case identification number that will assist you with tracking your **complaint**.

**17.1.3** The response will provide you with our intended course of action and identify when the course of action will be taken (if relevant). We will also provide the name of the contact person for follow up enquiries.

## **17.2 Complaints review**

**17.2.1** If you are not satisfied with the solution offered or action taken by us, you may have the **complaint** reviewed by a manager.

**17.2.2** The manager will:

- (a) clarify your **complaint** and the outcome sought;
- (b) ensure that the **complaint** has been properly investigated;
- (c) advise you of the estimated timeframe for our proposed action;
- (d) communicate to you our final decision;
- (e) outline the relevant facts and regulatory requirements where appropriate;
- (f) indicate what we will do to address the issue; and
- (g) notify you of your rights to external review, if you are still not satisfied with our decision.

## **17.3 Resolution of complaints**

**17.3.1** A **complaint** will be considered resolved if:

- (a) we provide you with a response that:
  - (i) resolves the **complaint** to your satisfaction (or indicates how the **complaint** will be resolved to your satisfaction) or provides an explanation of the relevant policy and/or regulatory requirements and why no further action is proposed in relation to the **complaint**, or
  - (ii) provides a date when the issue will be resolved if the **complaint** relates to future planned operational or capital work.
- (b) the **complaint** is resolved through an external **dispute** process in accordance with clause 17.4, or
- (c) 28 business days have passed since receiving our response pursuant to clause 17.1.2 and you have not sought a further review by us or lodged a claim in an external **dispute** resolution forum.

**17.3.2** We will extend the 28 business days by a reasonable period if:

- (a) within those 28 business days you have requested an extension; or
- (b) after the 28 business days you demonstrate that, because of special circumstances, you were unable to seek an extension within the 28 business days.

**17.3.3** Where a further communication is received from you, this will be regarded as a new **enquiry** or **complaint**.

## 17.4 External dispute resolution

- 17.4.1** If you are still not satisfied with our response after following the process in clause 17.1 and 17.2, you may escalate the **complaint** to a **dispute** and seek external resolution of the **dispute** through **EWON**. **EWON** will work with you and Hunter Water to find a fair and reasonable outcome.
- 17.4.2** **EWON**'s services are available to you at no cost. **Disputes** that may be referred to **EWON** include **disputes** about supply of **service**, your account, credit or payment services and **restriction** or **disconnection**. Full details are available from **EWON**. You should attempt to resolve the issue with Hunter Water before referring the matter to **EWON**.
- 17.4.3** You may choose whether or not to accept **EWON**'s decision. If you decide to accept it, then it will be final and binding on us.
- 17.4.4** The **NCAT** may also hear and determine consumer claims.
- 17.4.5** You also have recourse to the legal system.

## 18 WHO SHOULD I CONTACT?

### 18.1 Emergency assistance (Faults and leaks assistance)

- 18.1.1** In the event of a **suspected** leak or burst water main, a **wastewater overflow**, an **unplanned interruption**, a water quality or **low water pressure** problem, you may contact our 24 hour **Emergency (faults and leaks) Assistance Line** on 1300 657 000.
- 18.1.2** The emergency phone number is also listed on your bill, in the telephone directory and on our website.

### 18.2 General Enquiries

- 18.2.1** If you have an **enquiry** relating to your account, payment options, concession entitlements or other information about our **services**, and you cannot find the answer on our website, you should contact us via the **General Enquiry Process**.
- 18.2.2** We will reply to your written **enquiry** within five business days of receiving it, unless we can respond sooner by phone contact. Our written response will provide an explanation and the name of the contact person for follow up **enquiries**. If your **enquiry** cannot be resolved within these timeframes, you will be advised of the contact number of the person who will investigate your **enquiry** further.
- 18.2.3** If your **verbal enquiry** cannot be answered immediately, we will use our reasonable endeavours to provide a response to your **verbal enquiry** within three business days.

### 18.3 Interpreter and TTY services

- 18.3.1** We provide an interpreter service for people from non English speaking backgrounds. Please call 131 450 to access these services.
- 18.3.2** **Customers** who have a hearing or speech impairment can contact us through the National Relay Service (NRS) as follows:
- (a) For TTY users phone 133 677 and ask for 1300 657 657;
  - (b) For Speak and Listen (speech-to-speech relay) users phone 1300 555 727 and ask for 1300 657 657; or
  - (c) For internet relay users connect to the NRS (see [www.relayservice.gov.au](http://www.relayservice.gov.au) for details) and ask for 1300 657 657.

## 19 CONSULTATION, INFORMATION AND PRIVACY

### 19.1 Community involvement

**19.1.1** To enable community involvement on issues relevant to our programs, **services** and decision making process, we have a **Consultative Forum**.

**19.1.2** The **Consultative Forum Charter** explains the role and functions of the **Consultative Forum**. The Charter is available on our website or [contacting us via the General Enquiry Process](#) to obtain a copy.

### 19.2 Providing information

**19.2.1** We will respond to requests for information according to the provisions of the *Government Information (Public Access) Act 2009* (NSW).

### 19.3 Privacy

**19.3.1** We will treat your **personal information** according to the provisions of [all applicable Laws](#).

**19.3.2** To the extent permitted by **Law**, we may exchange **personal information** about your creditworthiness, credit standing, credit history or credit capacity with credit reporting agencies, other credit providers, other suppliers, or our agents and contractors.

**19.3.3** We may also confirm your eligibility for concessions and exemptions (for example, pensioner rebates) with relevant **Authorities**.

## 20 DEFINITIONS, DRAWINGS AND INTERPRETATION

### 20.1 Definitions

In this **Customer Contract**, the following meanings apply:

**Account holder** is taken to have the same meaning as 'owner' under the **Act**.

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

**Approval** means an approval, consent, lease, licence, permit or authority issued or required in respect of any matter referred to in this **Customer Contract**.

**Area of operations** are the areas specified in section 16 of the Act, and described in Schedule 1 of the **Operating Licence**. **[Drafting Note: References to be confirmed during review of Operating Licence]**

**Australian Consumer Law** means the Australian Consumer Law as set out in Schedule 2 to the *Competition and Consumer Act 2010* (Cth).

**Australian Drinking Water Guidelines (ADWG)** means the document entitled Australian Drinking Water Guidelines 2011 published by the National Health and Medical Research Council and the Natural Resource Management Ministerial Council of Australia and New Zealand (as amended from time to time).

**Australian Guidelines for Water Recycling** means the document entitled Australian Guidelines for Water Recycling: Managing Health and Environmental Risks (Phase 1) published by the Environment Protection and Heritage Council, the Natural Resource Management Ministerial Council and the Australian Health Minister's Conference in November 2006 (as amended from time to time). National Water Quality Management Strategy or as approved by NSW Health.

**Authorised connection** means an approved connection to our **water infrastructure**, our **wastewater infrastructure** or our **stormwater infrastructure** in compliance with our *Water Services Connections*

*Standard, Wastewater Connections Standard or Trade Wastewater Standard* and any conditions of approval.

**Authorised standard connection** means an **authorised connection** that is not a **non-standard connection**.

**Authority** means any government, semi governmental, statutory, administrative, fiscal or judicial body, corporation, department, commission, authority, tribunal or other person.

**Backflow prevention device** means a device to prevent the reverse flow of water from potentially polluted source, into our **water infrastructure**.

**Billing cycle** means billing periods each of four months commencing on 1 July, 1 November, and 1 March each year.

**Charges** include any charges or fees payable under this **Customer Contract** or other agreement made between Hunter Water and a **customer**.

**Complaint** means any verbal or written expression of dissatisfaction about an action, proposed action or failure to act by Hunter Water, its employees or contractors.

**Connection point** is where the private service from a property connects to our **infrastructure**.

**Connection requirements** means Hunter Water's published requirements for connection to its **infrastructure**. These requirements are intended to ensure that there is adequate capacity for **customer** connection and that our **infrastructure** is protected against potential problems that could arise from **defective** or **unauthorised connections** and **defective customer** systems.

**Consultative Forum** means a panel of community representatives that meets regularly with Hunter Water to enable community involvement in matters relevant to the performance of Hunter Water as required under clause 5.4 of the **Operating Licence**. **[Drafting Note: Clause reference to be confirmed during review of Operating Licence]**

**Consultative Forum Charter** has the meaning given in clause 5.5.4 of the **Operating Licence**. **[Drafting Note: Clause reference to be confirmed during review of Operating Licence]**

**Critical customer** means a **customer** that is dependent on drinking water supply to the extent that an interruption to drinking water supply poses an immediate and major health or safety risk and is included on our critical customer list.

**Customer** has the meaning given in clause 2.2.

**Customer Contract** means this document as found in Schedule C of the **Operating Licence**. **[Drafting Note: Reference to be confirmed during review of Operating Licence]**

**Data logger** means a device that electronically measures water use. A **customer** may retrofit this device to the **meter** when they want up to date information on their water use.

**Declared stormwater drainage areas** are those areas within our **area of operations** which contain the **stormwater infrastructure** in accordance with section 46 of the **Act** used to transport **stormwater** as defined on the maps located on our website.

**Defective works** means an issue, blockage or leakage from your system or into our **infrastructure** that impacts, or poses a risk to, the operation of our **water infrastructure**, **wastewater infrastructure** or **stormwater infrastructure** and **defective** is to be constructed accordingly.

**Disconnect** or **Disconnection** means the stopping (either temporarily or permanently) of the **services** to your **property**.

**Dispute** means an unresolved **complaint** escalated internally or externally or both.

**Drinking water** means water that is intended for human use and consumption generally in accordance with the health related guidelines in the **ADWG**.

**Drinking water service** means the **drinking water** service we are permitted to provide by the Operating Licence and any applicable **Law** in respect to the collection, storage, treatment, conveyance, reticulation or supply of **drinking water**.

**Dry weather wastewater overflow** means an overflow resulting from a blockage in the **wastewater infrastructure** (e.g. caused by tree root invasion or pipe collapse), an electrical or mechanical failure or other system problem not related to transporting excess **wastewater** flows during wet weather.

**Emergency (faults and leaks) Assistance Line** is 1300 657 000.

**Enquiry** means a written or verbal question by or on behalf of a **customer** which can be satisfied by providing information, advice, assistance, clarification, explanation or referral to an external body.

**Environment Protection Licences** means Hunter Water's Environment Protection Licences issued under the *Protection of the Environmental Operations Act 1997* (NSW) in relation to our **wastewater infrastructure**.

**EWON** means the Energy & Water Ombudsman NSW.

**Financial hardship** means situations where a **customer** is unable to pay all or some of the account or is unable to pay by the due date.

**Fire service** means a **water service** constructed to meet fire protection requirements under the relevant **Law**.

**General Enquiry Process** means the process of making general enquiries to us using any of the following methods:

|            |  |
|------------|--|
| Website:   | <a href="http://www.hunterwater.com.au">www.hunterwater.com.au</a><br>Online enquiry form  |
| Email:     | <a href="mailto:enquiries@hunterwater.com.au">enquiries@hunterwater.com.au</a>   |
| Post:      | PO Box 5171 HRMC 2310  |
| Telephone: | 1300 657 657   |
| In person  | <u>Head Office</u><br>36 Honeysuckle Drive, Newcastle West (8:30am-5.00pm)<br><br><u>Lake Macquarie</u><br>128 Main Road, Speers Point (8.30am-4.30pm)<br><br><u>Maitland</u><br>285 High Street, Maitland (8.30am-4.30pm) |

**Hunter Water Regulation** means the *Hunter Water Regulation 2015* enacted under the **Act**.

**Infrastructure** means any or all of our water, **wastewater** and **stormwater infrastructures**.

**Insolvency Event** means:

- (a) a party is liquidated, whether compulsorily or voluntarily (other than for the purpose of amalgamation or reconstruction whilst solvent);
- (b) a party enters into any arrangement with creditors;

- (c) a party becomes subject to external administration within the meaning of Chapter 5 of the *Corporations Act 2001* (Cth) including having a receiver or administrator appointed over all or any part of its assets; or
- (d) anything analogous or having a substantially similar effect to the events specified in (a) to (c) above occurs in relation to a party.

**IPART** is the Independent Pricing and Regulatory Tribunal of New South Wales constituted by the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW).

**Law** means any requirement of any primary or subordinate legislation, rule or common law, present or future and whether state, federal or otherwise.

**Low water pressure** means a water pressure failure, which has the meaning given in clause 4.2.2 of the **Operating Licence**. **[Drafting Note: Clause reference to be confirmed during review of Operating Licence]**

**Maintenance** includes repairs and replacement, and where relevant testing and inspection.

**Major operational incident** means an event which causes any of our **infrastructure** to fail.

**Meter** is the device used to measure the water usage. This includes any remote reading equipment and associated wiring, power, plumbing and servicing equipment excluding the assembly.

**Minister** means the Minister responsible for administering the provisions of the **Act** relating to Hunter Water's **Operating Licence**.

**NCAT** means the NSW Civil and Administrative Tribunal established under the *Civil and Administrative Tribunal Act 2013* (NSW).

**Non-residential customer** is a **customer** who is not a **residential customer** and includes a **customer** who owns or occupies **properties** providing commercial residential services (for example, boarding houses, caravan parks, hotels, hostels, mobile home villages and motels).

**Non-residential property** means **property** that is not **residential property**.

**Non-standard connection** means a **non-standard water connection** or **non-standard wastewater connection**.

**Non-standard water connections** or **non-standard wastewater connections** may apply where a **property** does not have a direct frontage to our **water infrastructure** or our **wastewater infrastructure** or are connected directly to a trunk water main.

**NSW Health** means the New South Wales government department in charge of health related issues.

**Operating Licence** is the licence granted to us under section 12 of the **Act**.

**Owner** is defined in section 3 of the **Act**.

**Path tap** means the tap on the **meter** assembly.

**Payment arrangement** means any type of payment assistance set out in clause 10 of this **Customer Contract**.

**Penalty notice** means an infringement notice issued in response to a breach of the **Act**, the **Customer Contract** or the **Hunter Water Regulation**.

**Personal information** has the same meaning as under the **PIIP Act**.

**PIIP Act** means the *Privacy and Personal Information Protection Act 1998* (NSW).

**Planned interruption** means an interruption to a **service** initiated by us to allow **maintenance** to be undertaken and for which notice has been given to you.



**Pressure wastewater system** means a system where individual pumps located in collection tanks on private **property** are used to pump **wastewater** to our **wastewater infrastructure**.

**Private joint service** means a private pipe that provides joint water or **wastewater** services to multiple properties from a single **connection point**.

**Property** means:

- (a) an individual dwelling or premises used for any purpose or
- (b) land, whether built or not (excluding public land) or
- (c) a lot in a strata plan that is registered under the Strata Schemes (Freehold Development) Act 1973 or the Strata Schemes (Leaseholder Development) Act 1986
- (d) that is connected, or for which a connection is available, to Hunter Water's water supply system or wastewater system or within a declared drainage area.

**Recycled water** means water that has been appropriately treated to be suitable for re use, other than for use as **drinking water**.

**Recycled water area** is the geographical area occupied by a community or communities supplied with **recycled water** through a pipe network separate from the **drinking water** system.

**Recycled water infrastructure** includes any of our **infrastructure** that is, or is intended to be, used for:

- (a) the collection or storage of **recycled water** and includes the **connection point**;
- (b) the conveyance or reticulation of **recycled water**;
- (c) the treatment of **recycled water**, including any outfall pipe or other work that stores or conveys **recycled water** leaving the **infrastructure** used for the treatment of **recycled water**; and
- (d) any other **infrastructure** used in connection with **recycled water**
- (e) but does not include any pipe, fitting or apparatus that is situated upstream of your **connection point** to our **recycled water infrastructure**.

**Recycled water service** means the services we are permitted to provide by the **Operating Licence** and any applicable **Law** in respect to the collection, storage, treatment, conveyance, reticulation, supply or disposal of **recycled water**.

**Residential customer** means a **customer** who owns **residential property**.

**Residential property** is property that is the customer's principal place of residence or that is categorised as residential under the *Local Government Act 1993* (NSW).

**Residential wastewater** includes all liquids and any substances in them, which may be discharged into our **wastewater infrastructure** from a **residential property**, including discharges from toilets, hand basins, urinals, sinks, baths, showers, washing machines and similar items.

**Restrict** or **Restriction** means a direct intervention in the **water service** by Hunter Water in order to reduce flow to a **customer's** property.

*See separate and unrelated definition for "Water restrictions".*

**Separate agreements** are agreements covering arrangements such as **non-standard water connections**, **non-standard wastewater connections**, **trade waste** connections or **recycled water** connections.

**Service charge** is a charge for being connected to our **systems**.

**Services** means any or all of the water, **wastewater** and **stormwater** services.

**Stormwater** means the water collected, stored and transported via the **stormwater infrastructure**.



**Stormwater infrastructure** means the **stormwater** drainage channels, pipes, detention structures, and **stormwater** quality improvement devices and other equipment that we use to provide **stormwater services**.

**Stormwater services** means the services we are permitted to provide by the **Operating Licence** and any applicable **Law** in respect to **stormwater**.

**Trade wastewater** or **trade waste** includes any liquid, and any substances contained in it, which may be discharged into our **wastewater infrastructure** from a **non-residential property**, and any vehicle transporting **wastewater**, including septic effluent. **Trade wastewater** does not include **wastewater** from **residential property** connected to Hunter Water's **wastewater infrastructure**. The term **trade wastewater** as used in this document includes run off from contaminated open areas.

**Trade waste service** means the services we are permitted to provide by the **Operating Licence** and any applicable **Law** in respect to the collection, storage, treatment, conveyance, or disposal of **trade waste**.

**Unauthorised connection** includes where you:

- (a) connect to our **infrastructure** without our approval;
- (b) do not comply with all conditions of connection we have set;
- (c) do not comply with the conditions in our **Customer Contract** or your **separate agreement**;
- (d) do not install a **meter** on a new **water service** connection before you start using the water;
- (e) do not install **backflow prevention devices** appropriate for the hazard rating of the **property** in accordance with our *Backflow Prevention Standard*, test it, send the results to us and fix any **defects**; or
- (f) discharge **wastewater** or **trade wastewater** without our written permission or breach your **trade wastewater** discharge standards or do not meet requirements for **trade wastewater** pre treatment equipment.

**Unauthorised works** means any of the works referred to in our *Building Over and Adjacent to Assets Standard* that require approval or consent and such approval or consent has not been obtained.

**Unplanned interruption** means an interruption to the **services** due to:

- (a) emergencies;
- (b) events beyond our control;
- (c) a situation where we need to avert danger to any person or property; or
- (d) faults in our **infrastructure**

and for which no notice has been given to you.

**Wastewater** means untreated or partially treated material contained within our **wastewater infrastructure**, consisting of discharges from **residential** and **non-residential properties** such as the water you flush down your toilet, water that drains from your bathtub, sink or washing machine and many other sources and also **trade wastewater**.

**Wastewater services** means the services we are permitted to provide by the **Operating Licence** and any applicable **Law** in respect to the collection, storage, treatment, conveyance, reticulation or disposal of **wastewater**.

**Wastewater infrastructure** includes any of our **infrastructure** that is, or is intended to be, used for:

- (a) the collection or storage of **wastewater** and includes the **connection point**;
- (b) the conveyance or reticulation of **wastewater**;

- (c) the treatment of **wastewater**, including any outfall pipe or other work that stores or conveys **wastewater** leaving the **infrastructure** used for the treatment of wastewater;
- (d) any other **infrastructure** used in connection with **wastewater**
- (e) but does not include any pipe, fitting or apparatus that is situated upstream of your **connection point** to our **wastewater infrastructure**.

**Wastewater overflow** means a discharge of untreated or partially treated **wastewater** from our **wastewater infrastructure**. These overflows may occur in wet or dry weather.

**Wastewater discharge factor** is a measure of the volume of **wastewater** discharged to our **wastewater infrastructure** expressed as a percentage of water delivered to the **property** via all Hunter Water **drinking water meters**.

**Water infrastructure** includes any of our **infrastructure** that is, or is intended to be, used for:

- (a) the collection or storage of water, including from a dam or reservoir or a water production plant;
- (b) the treatment of water;
- (c) the conveyancing or reticulation of water and includes the **connection point**;
- (d) any other **infrastructure** used in connection with water

but does not include any pipe, fitting or apparatus that is situated downstream of your **connection point** to our **water infrastructure**.

**Water restrictions** means a restriction on the use of water in accordance with relevant conditions in the **Operating Licence**, the **Act** or the **Hunter Water Regulation**.

**Water service** means the service we are permitted to provide by the **Operating Licence** and any applicable **Law** in respect to the collection, storage, treatment, conveyance, reticulation or supply of water.

**Wholesale sewerage service** has the meaning given to it in a price determination by IPART.

**Wholesale sewerage services customer** has the meaning given to it in a price determination by IPART.

**Wholesale water supply service** has the meaning given to it in a price determination by IPART.

**Wholesale water supply services customer** has the meaning given to it in a price determination by IPART.

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

**Your system(s)** means **your wastewater system** and/or **your water system**.

**Your wastewater system** means the pipes, fittings and other connected accessories required for or incidental to the discharge or conveyance of **wastewater** to our **wastewater infrastructure**, but does not include our **wastewater infrastructure**.

**Your water system** means the pipes, fittings, meters (except those owned by us) and other connected accessories required for or incidental to the supply and measurement of water provided by us, but does not include our **water infrastructure**.

## 20.2 Interpretation

In this **Customer Contract**, the following interpretations apply:

- (a) a reference to a person includes a natural person, corporation, statutory corporation, partnership, the Crown and any other organisation or legal entity;

- (b) one gender includes the other;
- (c) a party includes the party's executors, administrators, successors and permitted assigns and where there are two or more parties, jointly and severally;
- (d) the **Law** includes legislation, regulations, licences, orders, mandatory codes, permits and directions;
- (e) a business day is a day that is not a Saturday, a Sunday or a public holiday in New South Wales;
- (f) a statute, regulation or provision of a statute or regulation (statutory provision) includes:
  - (i) that statutory provision as amended or re enacted from time to time;
  - (ii) a statute, regulation or provision enacted in replacement of that statutory provision;
  - (iii) another regulation or other statutory instrument made or issued under that statutory provision;
- (g) the singular includes the plural and vice versa;
- (h) including and similar expressions are not words of limitation;
- (i) a reference to a clause or schedule is a reference to a clause of or a schedule to this **Customer Contract**;
- (j) a reference to a contract or document (including without limitation, a reference to this **Customer Contract**) is to this **Customer Contract** or document or any document which varies, supplements, replaces, assigns or novates that document;
- (k) where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning;
- (l) headings and any table of contents or index are for convenience only and do not form part of this **Customer Contract** or affect its interpretation;
- (m) a provision of this **Customer Contract** must not be constructed to the disadvantage of a party merely because that party was responsible for the preparation of this **Customer Contract** or the inclusion of the provision in this **Customer Contract**;
- (n) if an act must be done on a specified business day which is not a business day, it must be done instead on the next business day;
- (o) money is to Australian dollars, unless otherwise stated;
- (p) if there is any inconsistency between this **Customer Contract** and any **Law**, the **Law** will prevail to the extent of the inconsistency;
- (q) a reference to any of our *Policies* or *Standards* means the policies and standards as published on our website at any one time and any amendment or replacement applying to the same or similar subject matter;
- (r) a reference to a party, clause, paragraph, schedule or annexure is a reference to a party, clause, paragraph, schedule or annexure to or of this **Customer Contract**;
- (s) a reference to a party in a document includes that party's successors and permitted assigns;
- (t) a reference to any legislation includes all amendments, consolidations, replacements and legislation applying to the same or similar subject matter and all regulations or instruments issued under it;

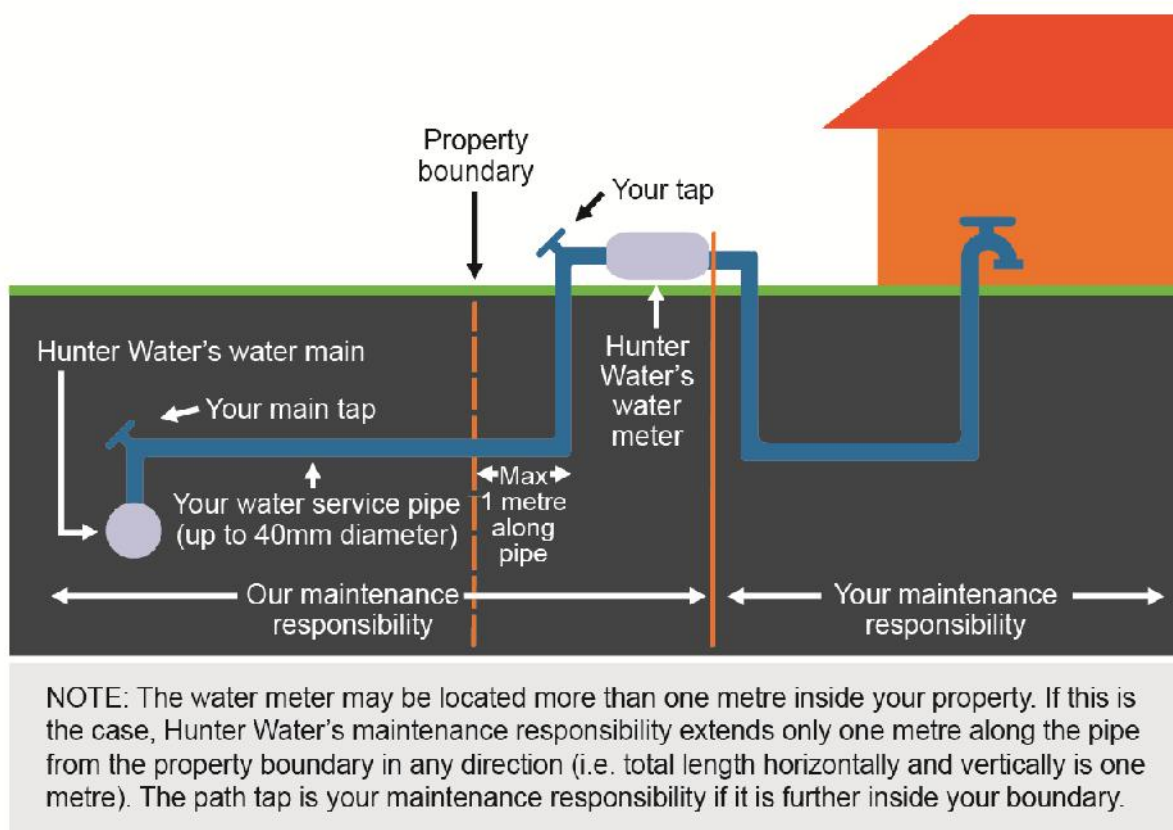
- (u) an agreement on the part of two or more persons binds them jointly and severally;
- (v) a reference to a notice, consent, request, approval or other communication under this **Customer Contract** means a written notice, request, consent, approval or agreement.

We, our or us means Hunter Water Corporation.

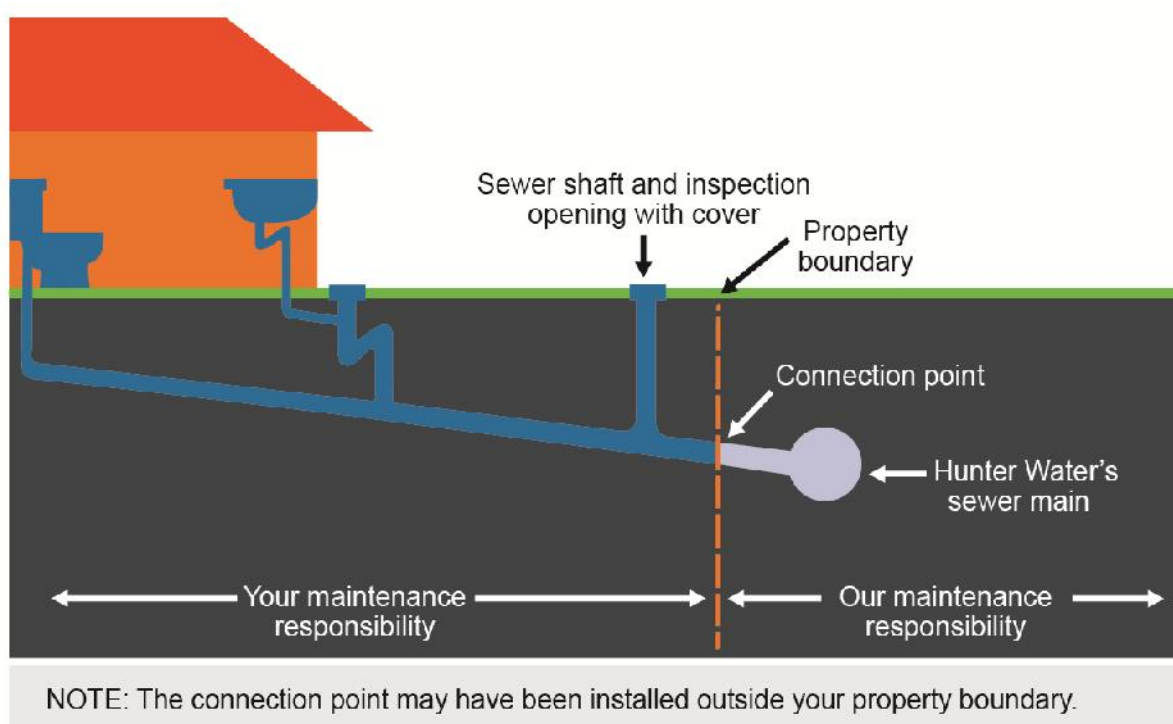
You or your means our **customer** for the purpose of this **Customer Contract**.

## 20.3 Drawings

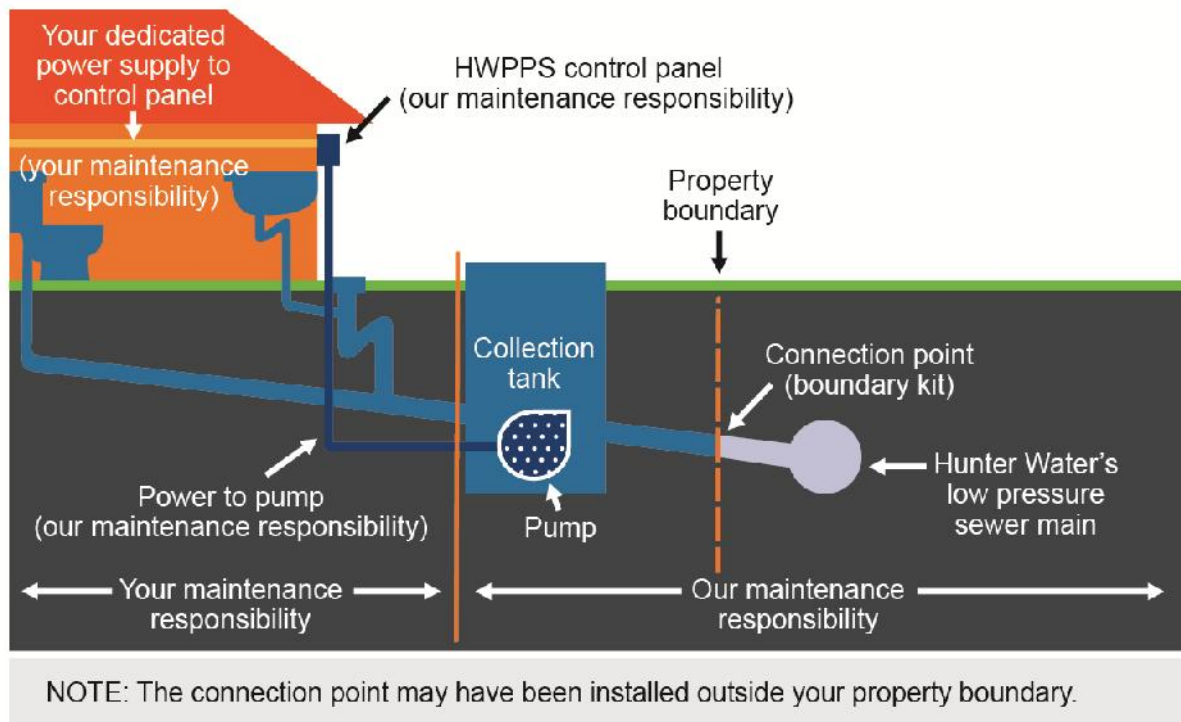
**Figure 20.3.1 Typical water system maintenance responsibilities for an authorised standard connection**



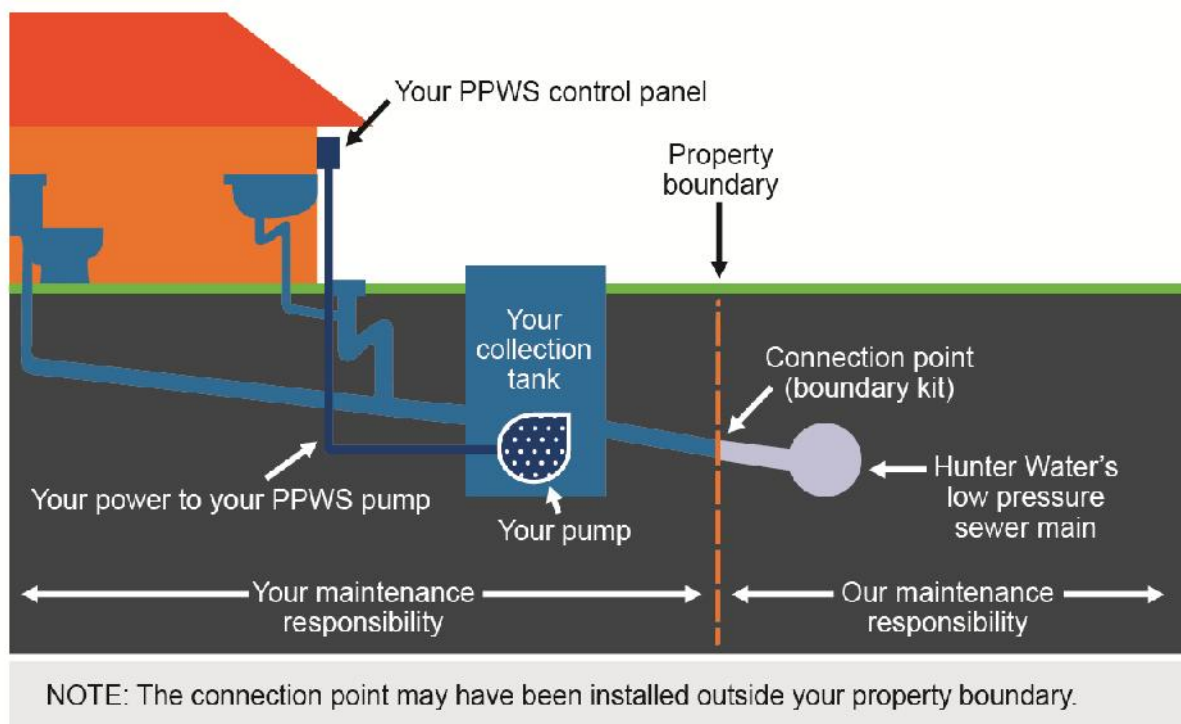
**Figure 20.3.2 Typical wastewater system maintenance responsibilities for an authorised standard connection**



**Figure 20.3.3 Typical Hunter Water Pressure Wastewater system maintenance responsibilities**



**Figure 20.3.4 Typical Private Pressure Wastewater System maintenance responsibilities**



# **APPENDIX C**

## **CUSTOMER CONTRACT KEY CHANGES AND REASONS**





| Hunter Water Proposed Customer Contract |   | Hunter Water Current Customer Contract |   | Key Changes and Reasons   |
|---|---|--|---|---|
| No.                                     | Clause  | No.                                    | Clause  |   |
|   | Foreword  |  |   | <ul style="list-style-type: none"> <li>A foreword provides information on Hunter Water, its services and the purpose of the Customer Contract. This was previously titled 'Introduction' at the beginning of the Customer Contract and was potentially confusing as there were two introductions.</li> </ul>  |
| 1                                       | Introduction  | 1                                      | Introduction  |   |
| 1.1                                     | Words used in this contract                           | 1.1                                    | Words used in this contract                                 | <ul style="list-style-type: none"> <li>Words that are defined in clause 20 are now in 'bold'.</li> </ul>  |
| 1.2                                     | Understanding the contract                            | 1.2                                    | Understanding the contract                                  | <ul style="list-style-type: none"> <li>Additional wording has been inserted to confirm that the Customer Contract is not intended to limit the Customer's statutory rights, including those under the Australian Consumer Law. This has been added to confirm the Customer's rights and is consistent with Sydney Water's Customer Contract.</li> </ul>             |
| 2                                       | What is a Customer Contract and who is covered by it? | 2                                      | What is a Customer Contract and who is covered by it?       |   |
| 2.1                                     | What is a Customer Contract?                          | 2.1                                    | What is a Customer Contract?                                | <ul style="list-style-type: none"> <li>This clause has been amended to clarify that the Customer Contract is a 'deemed' contract, irrespective of whether it is signed by the Customer. The list of services has been removed because it duplicates the foreword.</li> </ul>  |
| 2.2                                     | Who is covered by this contract?                      | 2.2                                    | Who is covered by this contract?                            | <ul style="list-style-type: none"> <li>Wording has been simplified and additional wording has been included regarding alternative water and sewerage service providers (including wholesale services and/or WIC utilities). Hunter Water does not consider it appropriate for wholesale services to be addressed in the standard form Customer Contract.</li> </ul> |
| 2.3                                     | Other agreements with us                              | 2.3                                    | Other agreements with us                                    | <ul style="list-style-type: none"> <li>The wording in Sydney Water's Customer Contract explaining the precedence between the Customer Contract and separate agreements is clearer and should be adopted.</li> </ul>   |
| 2.4                                     | When does this Customer Contract commence?            | 2.4                                    | When does this Customer Contract commence?                  | <ul style="list-style-type: none"> <li>Customer Contract to commence on 1 July 2017 (subject to confirmation from IPART).</li> </ul>  |
|   |   | 14                                     | When does my Customer Contract with Hunter Water terminate? | <ul style="list-style-type: none"> <li>All clauses related to the contract term have been moved together for ease of reading.</li> </ul>  |
| 2.5                                     | When does this Customer Contract end?                 | 14.1                                   | Termination of this contract                                | <ul style="list-style-type: none"> <li>Additional wording to clarify that the whole contract or relevant parts can be terminated.</li> </ul>  |
| 2.6                                     | Variation of this Customer Contract                   | 14.2                                   | Variation of this contract                                  | <ul style="list-style-type: none"> <li>Additional wording to confirm how the Customer will be notified in the event of a variation to the Customer Contract, consistent with provisions in the Act.</li> </ul>  |

| Hunter Water Proposed Customer Contract |  | Hunter Water Current Customer Contract |                          | Key Changes and Reasons  |
|---|--|--|--------------------------|--|
| No.                                     | Clause   | No.                                    | Clause                   |  |
| 3                                       | What <u>water</u> services do we provide?          | 3.1                                    | Water supply services    | <ul style="list-style-type: none"> <li>A distinction has been made between drinking water and recycled water.</li> </ul>   |
| 3.1                                     | Drinking water quality                             | 3.1.2                                  | Drinking water quality   | <ul style="list-style-type: none"> <li>Clarification that the drinking water will comply with the health related guidelines provided in the ADWG. The reference to taste or odour has been removed because these are aesthetic considerations.</li> </ul>  |
| 3.2                                     | Supply of water                                    | 3.1.1                                  | Supply of drinking water | <ul style="list-style-type: none"> <li>Additional wording to confirm that services are provided to authorised standard connections (i.e. to clarify the provisions that are not intended to cover non-standard customers).</li> <li>Events where Hunter Water cannot provide drinking water are now specified in clause 8.</li> <li>Rebates are specified in clause 16.</li> </ul>   |
| 3.3                                     | Health or special needs                            | 3.1.5                                  | Health or special needs  | <ul style="list-style-type: none"> <li>Hunter Water will use reasonable endeavours to provide a continuous drinking water service to meet the critical customers' reasonable health needs.</li> <li>Critical customers will receive notification as per clause 8.2.</li> <li>The volume of free water allowance is not specified so that there is flexibility to review the appropriate volume (and potentially increase it) between Customer Construct reviews. This is consistent with the approach in Sydney Water's Customer Contract.</li> </ul>  |
| 3.4                                     | Drinking water pressure                            | 3.1.3                                  | Drinking water pressure  | <ul style="list-style-type: none"> <li>Hunter Water must use reasonable endeavours to ensure that the drinking water does not experience a low water pressure event (defined by reference to the Operating Licence, for consistency of definitions for performance assessment and reporting).</li> <li>Rationale for using 'reasonable endeavours' is for consistency throughout the Customer Contract. This is consistent with the level of service Hunter Water should be expected to provide. It is clearer than the current terminology, such as 'best endeavours', 'all practical steps' or 'every reasonable effort'.</li> </ul> |
| 4                                       | What <u>recycled water</u> services do we provide? | 3.1.4                                  | Supply of recycled water | <ul style="list-style-type: none"> <li>Events where Hunter Water cannot provide recycled water services are now specified in clause 8.</li> <li>Hunter Water will use reasonable endeavours to ensure that the recycled water supplies with the AGWR (or as specified by NSW Health) in all areas.</li> </ul>  |

| Hunter Water Proposed Customer Contract |   | Hunter Water Current Customer Contract |   | Key Changes and Reasons   |
|---|---|--|---|---|
| No.                                     | Clause  | No.                                    | Clause                                      |   |
| 5                                       | What <u>wastewater</u> services do we provide?  | 3.2                                    | Wastewater services                         |   |
| 5.1                                     | Supply of wastewater services                   | 3.2.1                                  | Supply of wastewater service                | <ul style="list-style-type: none"> <li>Confirmation that services are to be authorised standard connections.</li> <li>Events where Hunter Water cannot provide wastewater services are now specified in clause 8.</li> </ul>  |
| 5.2                                     | Wastewater overflow                             | 3.2.2                                  | Wastewater overflow                         | <ul style="list-style-type: none"> <li>Clean up obligations are limited to areas external to building structures (consistent with general Hunter Water practice because most internal overflows are due to customer plumbing issues).</li> <li>Hunter Water to notify the Customer of redress available (as payment may be subject to further information to be supplied by the Customer).</li> </ul> |
| 5.3                                     | Wastewater mining                               | 3.2.5                                  | Wastewater mining and stormwater harvesting | <ul style="list-style-type: none"> <li>A single clause covering both wastewater mining and stormwater harvesting has been separated into two clauses that are located with other clauses relating to similar services. Minor wording changes.</li> </ul>  |
| 6                                       | What <u>trade waste</u> services do we provide? |  |   |   |
| 6.1                                     | Trade wastewater                                | 3.2.4                                  | Trade wastewater                            | <ul style="list-style-type: none"> <li>Minor wording changes with no substantive change in intent. The term 'if required' has been added to clarify that trade waste agreements are not intended to be required for all non-residential wastewater customers.</li> </ul>  |
| 7                                       | What <u>stormwater</u> services do we provide?  |  |   |   |
| 7.1                                     | Stormwater drainage services                    | 3.3                                    | Stormwater drainage services                | <ul style="list-style-type: none"> <li>Additional information provided on the nature of Hunter Water's stormwater infrastructure, to clarify common misperceptions of Hunter Water's role in stormwater management.</li> </ul>  |
| 7.2                                     | Stormwater harvesting                           | 3.2.5                                  | Wastewater mining and stormwater harvesting | <ul style="list-style-type: none"> <li>A single clause covering both wastewater mining and stormwater harvesting has been separated into two clauses that are located with other clauses relating to similar services. Minor wording changes.</li> </ul>  |

| Hunter Water Proposed Customer Contract |                              | Hunter Water Current Customer Contract |                              | Key Changes and Reasons  |
|---|------------------------------|--|------------------------------|--|
| No.                                     | Clause                       | No.                                    | Clause                       |  |
| 8                                       | Factors affecting service    | 3.4                                    | Factors affecting service    | <ul style="list-style-type: none"> <li>Factors affecting service have been consolidated into one section.</li> </ul>   |
| 8.1                                     | Unplanned interruptions      | 3.4.1                                  | Unplanned interruptions      | <ul style="list-style-type: none"> <li>Directs Customers to review Hunter Water's website for current information on unplanned interruptions as well as estimated times for restoration of services.</li> </ul>  |
| 8.2                                     | Planned interruptions        | 3.4.2                                  | Planned interruptions        | <ul style="list-style-type: none"> <li>Directs Customers to review Hunter Water's website for current information on planned interruptions as well as estimated times for restoration of services.</li> <li>Minor wording changes with no substantive change in intent.</li> </ul>   |
| 8.3                                     | Water restrictions           | 3.4.3                                  | Water restrictions           | <ul style="list-style-type: none"> <li>Updated to reflect the Hunter Water Regulation 2015, including: <ul style="list-style-type: none"> <li>the circumstance in which water restrictions can be imposed;</li> <li>that authorised Hunter Water employees can issue penalty notices;</li> <li>water restrictions will override the relevant provisions of the Customer Contract and will be notified in major newspapers and Hunter Water's website (rather than the Customer's next bill, which may be scheduled to be issued after the water restriction has commenced).</li> </ul> </li> </ul> |
| 8.4                                     | Major operational incident   | 3.4.4                                  | Major operational difficulty | <ul style="list-style-type: none"> <li>Removed reference to publishing details in major newspapers because there may be some major operational incidents that do not relate to formal water restrictions and notification in newspapers may not be the timeliest means of communication.</li> </ul>  |
| 8.5                                     | Restriction or disconnection |  |                              | <ul style="list-style-type: none"> <li>New clause that references Hunter Water's restriction or disconnection powers in clause 11 (restriction or disconnection suspends some parts of the Customer Contract).</li> </ul>  |
| 8.6                                     | Force majeure                |  |                              | <ul style="list-style-type: none"> <li>New clause to confirm that Hunter Water's ability to provide the services can be affected by unusual events outside our reasonable control including severe weather conditions (as classified by the Bureau of Meteorology), natural disasters or the requirements of Authorities or Laws. E.g. The April 2015 East Coast Low storm event.</li> </ul>   |

| Hunter Water Proposed Customer Contract |                                   | Hunter Water Current Customer Contract |                                   | Key Changes and Reasons  |
|---|-----------------------------------|--|-----------------------------------|--|
| No.                                     | Clause                            | No.                                    | Clause                            |  |
| 9                                       | What you pay                      | 4                                      | What you pay                      |  |
| 9.1                                     | How prices are set                | 4.8                                    | How prices are determined         | <ul style="list-style-type: none"> <li>Information on how variations to charges are published is now addressed in clause 9.2.</li> </ul>   |
| 9.2                                     | Publication of charges            | 4.2                                    | Publication of charges            | <ul style="list-style-type: none"> <li>As per clause 9.1 above.</li> </ul>   |
| 9.3                                     | Responsibility to pay the account | 4.1                                    | Responsibility to pay the account | <ul style="list-style-type: none"> <li>A reference to the Debt Recovery and Hardship Policy has been included.</li> </ul>  |
| 9.4                                     | Concessions                       | 4.3                                    | Concessions                       | <ul style="list-style-type: none"> <li>The reference to 'account holder' has been removed so that the Customer Contract does not limit the application of potential changes to government policy.</li> </ul>   |
| 9.5                                     | Your bill                         | 4.4                                    | Your account                      | <ul style="list-style-type: none"> <li>References to 'account' have been changed to 'bill' where relevant.</li> <li>Consistency with Sydney Water's Customer Contract by inclusion of items such as: <ul style="list-style-type: none"> <li>The bill will include any credit or overdue amounts from previous bills.</li> <li>The usage and service fees will be separately itemised.</li> </ul> </li> <li>Information on how to pay a bill can be found on Hunter Water's website.</li> <li>The provisions for charging of interest on overdue amounts has been clarified e.g. the reference to the Civil Procedure Act 2005 has been replaced by reference to an Interest Standard, based on customer feedback.</li> </ul> |
| 9.6                                     | Undercharging                     | 4.5                                    | Undercharging                     | <ul style="list-style-type: none"> <li>Hunter Water may request the Customer to pay the correct amount if an account has been undercharged due to the Customer not providing up to date information in relation to a change of use of the property or the number of dwellings on the property.</li> <li>A time period has been included for undercharging due to an unauthorised connection.</li> </ul>  |
| 9.7                                     | Overcharging                      | 4.6                                    | Overcharging                      | <ul style="list-style-type: none"> <li>Hunter Water will not be required to provide a credit where the Customer has provided false information, not providing up to date information in relation to a change of use of the property or the number of dwellings on the property, there is an unauthorised connection or a breach of the Customer Contract or Act.</li> </ul>  |

| Hunter Water Proposed Customer Contract |  | Hunter Water Current Customer Contract |   | Key Changes and Reasons  |
|---|--|--|---|--|
| No.                                     | Clause                                       | No.                                    | Clause  |  |
| 9.8                                     | Account queries and disputes                 | 4.7                                    | Account disputes                                | <ul style="list-style-type: none"> <li>Customers with queries and/or disputes may contact Hunter Water using the General Enquiry Process (which includes the website, email, post, telephone or in person) rather than just via phone.</li> </ul>  |
| 9.9                                     | Wastewater usage charge                      | 4.8.2                                  | Wastewater usage charge                         | <ul style="list-style-type: none"> <li>Additional information on how a wastewater discharge factor is set and how a customer may seek to have it reviewed. This is consistent with good practice, as described in IPART's 2014 Discharge factors for non-residential customers – Water – Final Report.</li> </ul>  |
| 9.10                                    | Other costs and charges                      | 4.9                                    | Other costs and charges                         | <ul style="list-style-type: none"> <li>Terminology associated with the fee for dishonoured or declined payments is consistent with the recent review under section 12A of the IPART Act.</li> <li>A reference to Operating Licence and other applicable law has been added so that Hunter Water's rights are not unintentionally limited by the Customer Contract.</li> <li>The Customer's connection obligations have been moved to clause 13 so that relevant clauses are grouped together.</li> </ul> |
| 10                                      | What can I do if I am unable to pay my bill? | 5                                      | What can I do if I am unable to pay my account? |  |
| 10.1                                    | Payment difficulties and assistance options  | 5.1                                    | Payment difficulties and account relief         | <ul style="list-style-type: none"> <li>Wording relating to restriction/disconnection has been moved to clause 11 so that relevant clauses are grouped together.</li> <li>The term 'welfare agency' has been changed to 'community agency' based on customer feedback.</li> <li>A clause has been added that encourages customers to contact Hunter Water if they cannot make a scheduled payment so that recovery action is not taken.</li> </ul>  |



| Hunter Water Proposed Customer Contract |  | Hunter Water Current Customer Contract |   | Key Changes and Reasons  |
|---|--|--|---|--|
| No.                                     | Clause   | No.                                    | Clause  |  |
| 11                                      | Restriction or disconnection of services                   | 6                                      | Restriction or disconnection of water and wastewater services |  |
| 11.1                                    | Restriction or disconnection of supply for non-payment     | 6.1                                    | Restriction or disconnection of supply for non-payment        | <ul style="list-style-type: none"> <li>Includes a reference to Hunter Water's updated Debt Recovery &amp; Hardship Policy.</li> </ul>  |
| 11.2                                    | Notice of restriction or disconnection for non-payment     | 6.2                                    | Notice of restriction or disconnection of supply of water     | <ul style="list-style-type: none"> <li>Wording changes to encourage customers to contact Hunter Water if non-payment is due to financial hardship, which is consistent with current practice.</li> <li>Updated timing to 7 or more days since the final notice and payment is still outstanding.</li> </ul>  |
|   |  | 6.4                                    | Restriction and debt recovery or legal action                 |  |
| 11.3                                    | Restriction or disconnection for other reasons             | 6.3                                    | Restriction or disconnection for other reasons                | <ul style="list-style-type: none"> <li>Additional powers for Hunter Water to restrict or disconnect in the following circumstances: <ul style="list-style-type: none"> <li>Poor quality of pipes prevents Hunter Water from exchanging the meter and Customer fails to address this within 30 day timeframe;</li> </ul> </li> <li>In respect of Customers who are companies, they suffer from an insolvency event, particularly where such customers may incur large debts in the period of insolvency.</li> </ul> |
| 11.4                                    | Minimum flow rate  | 6.5                                    | Minimum flow rate during restriction                          |  |
| 11.5                                    | Disconnection by a customer                                | 6.6                                    | Disconnection by a customer                                   | <ul style="list-style-type: none"> <li>References to regulatory requirements has been broadened to 'all applicable Laws'.</li> </ul>   |
| 11.6                                    | Restoration of services after restriction or disconnection | 6.7                                    | Restoration of services after restriction or disconnection    | <ul style="list-style-type: none"> <li>Minor wording changes.</li> </ul>   |
| 12                                      | Responsibilities for maintenance and repair                | 8                                      | Responsibilities for maintenance and repair                   |  |
| 12.1                                    | Drawings   |  |   | <ul style="list-style-type: none"> <li>Inclusion of reference to the drawings at the back of the Customer Contract. The drawings are a high level summary and accordingly, are indicative only. The clause refers the Customers to the relevant standards for further information.</li> </ul>  |
| 12.2                                    | Our responsibilities regarding our infrastructure          |  |   | <ul style="list-style-type: none"> <li>Confirmation that Hunter Water is responsible for maintaining its infrastructure only.</li> </ul>   |

| Hunter Water Proposed Customer Contract |  | Hunter Water Current Customer Contract |   | Key Changes and Reasons   |
|---|--|--|---|---|
| Clause                                  | No.  | Clause                                 |   |   |
| 12.3                                    | Your responsibilities regarding your water system      | 8.1                                    | Your water system   | <ul style="list-style-type: none"> <li>Clarification of maintenance responsibilities, including with respect to: <ul style="list-style-type: none"> <li>Backflow prevention devices (as Hunter Water is responsible for the maintenance of these devices where they are integrated into the meter owned and supplied by us). This is consistent with Sydney Water's Customer Contract;</li> <li>Damage caused by persons/events other than Hunter Water;</li> <li>Path taps;</li> <li>Water services that extend a long way inside a customer's property boundary (some of which are vertical due to a retaining wall)</li> </ul> to align with current practice.</li> <li>Customers may contact Hunter Water using the General Enquiry Process if they have questions about their maintenance responsibilities.</li> </ul> |
| 12.4                                    | Your responsibilities regarding your wastewater system | 8.2                                    | Your wastewater system  | <ul style="list-style-type: none"> <li>Customers may contact Hunter Water using the General Enquiry Process if they have questions about their maintenance responsibilities.</li> <li>Clarification of maintenance responsibilities with respect to damage caused by persons/events other than Hunter Water, to align with current practice (previously the clause only addressed wilful and negligent damage).</li> </ul>  |
|   |  | 3.2.3                                  | Blockage of your wastewater system                              | <ul style="list-style-type: none"> <li>No changes.</li> </ul>   |
| 12.5                                    | Pressure wastewater system                             | 8.3                                    | Pressure wastewater system connections                          | <ul style="list-style-type: none"> <li>Additional wording describing pressure systems, to assist customers in identifying whether the clause applies to them.</li> <li>New section and drawings to clarify obligations with respect to Hunter Water pressure wastewater systems and private pressure wastewater systems.</li> </ul>   |
| 12.6                                    | Non-standard connections                               | 8.4                                    | Non-standard wastewater system connections                      | <ul style="list-style-type: none"> <li>Inclusion of explanation of standard and non-standard connections for water and/or wastewater.</li> </ul>  |
| 12.7                                    | Private joint systems                                  | 8.5                                    | Private joint water systems or private joint wastewater systems | <ul style="list-style-type: none"> <li>Additional wording regarding the Customer's obligations for private joint services, including the disconnection of such services. Most of the changes are consistent with Sydney Water's Customer Contract.</li> </ul>   |
| 12.8                                    | Stormwater connections, coverings and bridges          | 8.6                                    | Stormwater connections, coverings and bridges                   | <ul style="list-style-type: none"> <li>Minor wording changes.</li> </ul>  |

| Hunter Water Proposed Customer Contract |   | Hunter Water Current Customer Contract |  | Key Changes and Reasons  |
|---|---|--|--|--|
| Clause                                  | No.   | Clause                                 |  |  |
| 12.9                                    | Conserving water                                  | 8.7                                    | Conserving water                                 | <ul style="list-style-type: none"> <li>Additional of a reminder to comply with all applicable laws</li> </ul>  |
| 12.10                                   | Giving notice of system failures                  | 8.9                                    | Giving notice of system failures                 | <ul style="list-style-type: none"> <li>Minor wording changes.</li> </ul>   |
| 12.11                                   | Removal of trees                                  | 8.13                                   | Removal of trees                                 | <ul style="list-style-type: none"> <li>Reference to the Hunter Water Act has been included, to ensure consistency of provisions for reimbursement.</li> <li>Customers may contact Hunter Water via the General Enquiry Process if they have any questions.</li> </ul>  |
| 13                                      | Defective or unauthorised work                    |  |  | A new clause has been created for defective or unauthorised work, so that the relevant sections are grouped together.  |
| 13.1                                    | Authorised connections                            | 8.11                                   | Connections to services                          | <ul style="list-style-type: none"> <li>Hunter Water's connection requirements, including the Water Services Connection Standard, Wastewater Connection Standard or Trade Wastewater Connection Standard have been specified. These documents specify Hunter Water's detailed requirements for connection.</li> </ul> |
| 13.2                                    | Defective or unauthorised work                    | 8.8                                    | Defective or unauthorised work                   | <ul style="list-style-type: none"> <li>Additional clause to enable restriction or disconnection of defective or unauthorised works for safety reasons.</li> </ul>  |
| 13.3                                    | Building, landscaping and other construction work | 8.10                                   | Building landscaping and other construction work | <ul style="list-style-type: none"> <li>Additional clarification of approvals.</li> <li>Improved consistency with Sydney Water's Customer Contract.</li> </ul>  |
| 13.4                                    | Altering and unauthorised connection or use       | 8.12                                   | Altering and unauthorised connection or use      | <ul style="list-style-type: none"> <li>Additional wording to confirm that Customers may not use a dedicated fire service for any purpose other than firefighting or testing of the fire service. This is required to ensure that fire services are only used for proper services.</li> </ul>                         |

| Hunter Water Proposed Customer Contract |  | Hunter Water Current Customer Contract |  | Key Changes and Reasons   |
|---|--|--|--|---|
| Clause                                  | No.  | Clause                                 |  |   |
| 14                                      | Entry onto a customer's property                           | 9                                      | Entry onto a customer's property for maintenance           |   |
| 14.1                                    | Access to Hunter Water's infrastructure                    | 9.1                                    | Access to Hunter Water's system                            | <ul style="list-style-type: none"> <li>Additional wording to clarify the purposes for which Hunter Water can access property. These purposes are consistent with Hunter Water's powers under the Act, and include inspecting infrastructure and to test, inspect, maintain or replace the meter.</li> </ul>   |
| 14.2                                    | Identification   | 9.2                                    | Identification   | <ul style="list-style-type: none"> <li>No changes.</li> </ul>   |
| 14.3                                    | Notice of access   | 9.3                                    | Notice of access   | <ul style="list-style-type: none"> <li>Clarification that the period of notice is calculated in business days (not calendar days).</li> <li>Additional power for Hunter Water to enter property without notice where Hunter Water needs to investigate a health or safety issue. This is required so that Hunter Water can comply with its obligations under the Operating Licence and relevant Laws and is consistent with Sydney Water's Customer Contract.</li> </ul>          |
| 14.4                                    | Impact on customer's property                              | 9.4                                    | Impact on customer's property                              | <ul style="list-style-type: none"> <li>Additional obligation on Hunter Water to ensure that unless otherwise agreed, Hunter Water will leave the property (as near as possible) in the condition that it was found on entry. This is consistent with Sydney Water's Customer Contract.</li> </ul>   |
| 15                                      | Water meter reading, installation, testing and maintenance | 10                                     | Water meter reading, installation, testing and maintenance |   |
| 15.1                                    | Installing and maintaining the meter                       | 10.2                                   | Water meter installation and maintenance                   | <ul style="list-style-type: none"> <li>Some provisions in Hunter Water's <i>Water Meter Policy</i> are now included in the Customer Contract because the policy is likely to be discontinued.</li> </ul>  |
| 15.2                                    | Access to the meter  | 10.4                                   | Access to the water meter                                  | <ul style="list-style-type: none"> <li>Additional power to require the Customer to relocate the meter, read the meter or install a remote reading device, if reasonable and safe access to the meter cannot be required. Hunter Water may seek to restrict or disconnect the services until reasonable and safe access is provided. This is to ensure that Hunter Water personnel can access the meter safely and is consistent with Sydney Water's Customer Contract.</li> </ul> |
| 15.3                                    | Measuring water supplied                                   | 10.1                                   | Measuring water supplied                                   | <ul style="list-style-type: none"> <li>Hunter Water may share automated meter reading information with Owners Corporation or building manager.</li> </ul>   |
| 15.4                                    | Meter testing  | 10.3                                   | Meter testing  | <ul style="list-style-type: none"> <li>Minor wording changes.</li> </ul>  |
| 15.5                                    | Meter replacement  | 10.5                                   | Meter replacement  | <ul style="list-style-type: none"> <li>New clause to address situations where the meter is stolen from the Customer's property.</li> </ul>  |

| Hunter Water Proposed Customer Contract |  | Hunter Water Current Customer Contract |  | Key Changes and Reasons   |
|---|--|--|--|---|
| No.                                     | Clause   | No.                                    | Clause   |   |
| 16                                      | Redress  | 7                                      | Redress  |   |
| 16.1                                    | Notification   | 7.1                                    | Notification   | <ul style="list-style-type: none"> <li>Minor wording changes.</li> </ul>  |
| 16.2                                    | Rebates  | 7.2                                    | Rebates  | <ul style="list-style-type: none"> <li>Clarification that rebates will only be provided if: <ul style="list-style-type: none"> <li>The Customer has an authorised standard connection;</li> <li>The Customer or a third party has not caused or contributed to the event;</li> <li>The interruption to the services is not as a result of an event beyond Hunter Water's reasonable control (being a 'Force Majeure' event referred to in clause 8.6).</li> </ul> </li> <li>More generous conditions for low water pressure rebate and wastewater overflows rebates, as described in section 7.2.3 of the main body of the submission.</li> </ul> |
| 16.3                                    | Forms of redress   | 7.3                                    | Forms of redress   |   |
| 16.4                                    | Claim for damages  | 7.4                                    | Claim for damages  | <ul style="list-style-type: none"> <li>Improved consistency with Sydney Water's Customer Contract.</li> </ul>   |
| 16.5                                    | Limitation of liability  | 7.5                                    | Limitation of liability  |   |
| 17                                      | What can I do if I am unhappy with the service provided by Hunter Water? | 12                                     | What can I do if I am unhappy with the service provided by Hunter Water? |   |
| 17.1                                    | Customer complaints  | 12.1                                   | Customer complaints  | <ul style="list-style-type: none"> <li>Clarification that a complaint can be made using any of the methods specified in the General Enquiry Process.</li> <li>Where Hunter Water is unable to resolve the complaint immediately, we will acknowledge receipt within 5 business days and provide a case identification number to assist with tracking the complaint. Previously, Hunter Water was required to use best endeavours to respond and resolve the complaint within 3 working days. The proposed amendments are more consistent with Sydney Water's Customer Contract.</li> </ul>  |
| 17.2                                    | Complaints review  | 12.2                                   | Complaints review  | <ul style="list-style-type: none"> <li>Minor wording changes</li> </ul>   |
| 17.3                                    | Resolution of complaints   | 12.3                                   | When a dispute is considered resolved                                    | <ul style="list-style-type: none"> <li>Minor wording changes</li> </ul>   |
| 17.4                                    | External dispute resolution  | 12.4                                   | External dispute resolution  | <ul style="list-style-type: none"> <li>The reference to the Consumer, Trader and Tenancy Tribunal has been updated to the 'NCAT' (the NSW Civil and Administrative Tribunal).</li> </ul>  |

| Hunter Water Proposed Customer Contract |  | Hunter Water Current Customer Contract |   | Key Changes and Reasons   |
|---|--|--|---|---|
| No.                                     | Clause   | No.                                    | Clause  |   |
| 18                                      | Who should I contact?                              | 11                                     | Who can I speak to if I have any questions or want to make enquiries? |   |
| 18.1                                    | Emergency assistance (Faults and leaks assistance) | 11.2                                   | Emergency assistance  | <ul style="list-style-type: none"> <li>Minor wording changes.</li> </ul>  |
| 18.2                                    | General enquiries                                  | 11.1                                   | General enquiries   | <ul style="list-style-type: none"> <li>Clarification that Customers can contact Hunter Water using any of the methods specified in the General Enquiry Process.</li> <li>Improved consistency with Sydney Water's Customer Contract in relation to responses to written enquiries.</li> </ul> |
| 18.3                                    | Interpreter and TTY services                       | 11.3                                   | Interpreter and TTY services  | <ul style="list-style-type: none"> <li>Minor wording changes.</li> </ul>  |
| 19                                      | Consultation, information and privacy              | 13                                     | Consultation, information and privacy                                 |   |
| 19.1                                    | Community involvement                              | 13.1                                   | Involving customers in service planning                               | <ul style="list-style-type: none"> <li>Improved consistency with Sydney Water's Customer Contract.</li> </ul>   |
| 19.2                                    | Providing information                              | 13.2                                   | Providing information   | <ul style="list-style-type: none"> <li>Minor wording changes.</li> </ul>  |
| 19.3                                    | Privacy  | 13.3                                   | Privacy   | <ul style="list-style-type: none"> <li>Reference to 'all applicable laws', which is broader than the previous reference to the <i>NSW Privacy and Personal Information Act 1998</i>.</li> </ul>   |
| 20                                      | Definitions and interpretation                     | 15                                     | Definitions and interpretation  |   |
| 20.1                                    | Definitions  | 15.1                                   | Definitions   | <ul style="list-style-type: none"> <li>Definitions have been updated to reflect terms used in the Customer Contract.</li> </ul>   |
| 20.2                                    | Interpretation                                     | 15.2                                   | Interpretation  | <ul style="list-style-type: none"> <li>Additional clauses have been inserted to assist with interpretation of the Customer Contract.</li> </ul>   |
| 20.3                                    | Drawings   | 15.1                                   | Definitions   | <ul style="list-style-type: none"> <li>The drawings have been updated to reflect the changes set out in clause 12.</li> </ul>   |

# **APPENDIX D**

## **ADDITIONAL INFORMATION ON SERVICE REBATES**





**Table D.1 Comparison between current service rebates, system performance standards and IPART Indicators**

| Event category                    |                              | Rebate <sup>a</sup>  | Standard and target  | IPART Indicator   |
|-----------------------------------|------------------------------|--|--|---|
| Water Continuity                  | Planned water interruption   | 15 kL (\$33.75) for 3 events, each > 5 hours   | <i>Not applicable</i>  | I1 The number of properties affected by an unplanned water interruption duration of more than 1 hour and less than or equal to 5 hours.   |
|                                   | Unplanned water interruption |  |  | I2 Occurrences of water interruptions to affected properties (i.e. the number of properties experiencing 3 or more planned and unplanned water interruptions of more than one hour duration).                             |
|                                   | Single event                 | 15 kL (\$33.75) > 5 hours<br>(between 5 am and 11pm)   | Hunter Water must ensure that in a financial year no more than 10,000 properties experience an unplanned water interruption that lasts more than 5 continuous hours. (OL CI 4.2.3)               | I3 Events leading to planned or unplanned water interruption where 250 or more properties experience an interruption of over 5 hrs duration.  |
|                                   | Multiple events in 12 months | 30 kL (\$67.50) for 2 events<br>Additional 15 kL (\$33.75) 3 events of more than 1 hour each (between 5am and 11pm).<br>i.e. 45 kL (\$101.25) maximum p.a. | Hunter Water must ensure that in a financial year no more than 5,000 properties experience 3 or more unplanned water interruptions that each lasts more than 1 hour. (OL CI 4.2.3)               | I4 (H) The number of residential properties affected by planned water supply interruptions in peak hours (5am-11pm).  |
| Wastewater overflow (dry weather) | Single event                 | 30 kL (\$67.50)  | Hunter Water must ensure that in a financial year no more than 5,000 properties (other than public properties) experience an uncontrolled wastewater overflow in dry weather. (OL CI 4.2.4)      | I6 Number of high priority sewage overflows per 100km of sewer main responded to in a year.   |
|                                   | Multiple events in 12 months | 120 kL (\$270.00) 3 events   | Hunter Water must ensure that in a financial year no more than 45 properties (other than public properties) experience 3 or more uncontrolled wastewater overflows in dry weather. (OL CI 4.2.4) | I7 Number of Medium Priority sewage overflows per 100 km of sewer main responded to in a year.<br><br>I8 Number of residential customers' dwellings affected by sewer spills not contained within 1 hour of notification. |

| Event category         | Rebate <sup>a</sup>   | Standard and target   | IPART Indicator   |
|------------------------|---|---|---|
| Water pressure failure | 15 kL (\$33.75) for 6 events<br><br>Water pressure is < 15m head for 30 mins. | Hunter Water must ensure that no more than 4,800 properties experience a water pressure failure in a financial year. (OL CI 4.2.2)<br><br>Water pressure failure is < 20m head for 30 mins.<br><br>Excludes events entirely caused by:<br>A planned or unplanned water interruption<br>Water usage for fire fighting<br>A short term or temporary operational problem (e.g. main break) that is remedied within 4 days.<br>Peak day demand 370 ML/day | I5 The number of properties in the utility's drinking water supply network experiencing a water pressure failure which is occasional or recurrent, but not permanent. |
| Boil water alert       | 15 kL (\$33.75)   | <i>Not applicable</i>   | WQ1(H) Microbiological compliance – percentage of routine water quality samples that comply with the ADWG for <i>E. Coli</i>  |
| Dirty Water            | Case by case  | <i>Not applicable</i>   | WQ1 Chemical/physical compliance – percentage of routine water samples that comply with the ADWG for key chemical/physical parameters.                                |

Note: Dollar amount in \$2016-17.