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23 April 2015

Our Ref: HW2006-711/43/47

Mr Hugo Harmstorf  
Chief Executive Officer  
Independent Regulatory and Pricing Tribunal  
PO Box K35  
Haymarket Post Shop NSW 1240

Dear Mr Harmstorf

#### **NETWORK OPERATOR'S LICENCE – COORANBONG WATER**

I refer to your correspondence dated 25 March 2015 inviting Hunter Water to comment on the application by Flow Systems Pty Ltd (owner of Cooranbong Water Pty Ltd) for a network operator's licence under the *Water Industry Competition Act 2006 (NSW)* (WIC Act) for the North Cooranbong development.

Hunter Water provided a 'letter of support' to Flow Systems on 5 June 2014 for its WIC Act licence application to IPART for the Cooranbong Water proposal. The letter detailed the technical and commercial parameters of the proposed working and contractual relationship between the two entities, which would be finalised as part of a 'Utilities Services Agreement'. Hunter Water noted that Flow Systems would be responsible for providing operational, maintenance and retail services to all customers upstream of the point of connection to the water and sewer network of Hunter Water.

Hunter Water would like to clarify a number of matters relating to Flow System's network operator's licence application for Cooranbong Water, as published by IPART.

First, Hunter Water has agreed to provide an interim single sewer point of connection for Cooranbong Water for the initial 156 lots in the Cooranbong North development. That interim sewer arrangement will terminate as soon as Flow Systems has an operational treatment plant or by August 2016, whichever is earlier. Hunter Water has no agreement with Cooranbong Water to provide a permanent connection point to Hunter Water's sewerage network.

Second, Flow Systems indicates that it will seek agreement with Hunter Water to dispose of sewerage sludge to Hunter Water's sewerage system (part 4.3.14 of the application). Hunter Water does not accept sewerage sludge as a discharge to its sewer network and would not contemplate any such agreement. Similarly, Hunter Water does not accept sewerage sludge as tankered tradewaste at any of its wastewater treatment plants.

Third, Hunter Water takes issue with the statement by Flow Systems that the supply of drinking water, recycled water and sewerage services is not a monopoly service (part 3.6.1 of the application). Flow Systems will own, operate and maintain all of the water and sewer assets within the Cooranbong North development. Hunter Water does not and will not have network infrastructure beyond the boundary drinking water connection and the interim sewer connection. Hunter Water will not provide an alternative service to any customer in the development area. Flow Systems will act as a local monopoly network operator and retailer for all Cooranbong Water customers.

More generally, Hunter Water is concerned that the WIC Act currently allows for the nomination of a retailer of last resort in any supply area, without clarifying the allocation of costs under such an arrangement. Hunter Water is of the view that the appointment of a retailer or operator of last resort should not burden the appointee's customer base should this provision be enacted.

Should you wish to discuss these matters further, please contact Peter Shields, Manager Regulatory Policy, on (02) 4979 9612.

Yours sincerely



**FIONA CUSHING**  
Chief Finance Officer