From: Simon Fane
Sent: Monday, 11 December 2006 1:55 PM
To: IPART Mailbox
Cc: 'Stuart White'; Michael Seery
Subject: Review of Hunter Water Corporation's Operating Licence

Dear Sir,

Having attended the public workshop for the 'End of term review of Hunter Water's operating licence' last Tuesday December 5th, I would like to confirm and clarify the remarks I made concerning Supply and Demand management.

The three areas I commented on at the workshop where:

1) The role of the Integrated resource planning (IRP) principles in the licence and the prescriptions for Hunter Waters Integrated Water Resource Plan (IWRP);
2) The options evaluation method prescribed for the IWRP in the licence; and;
3) The potential for a mandatory conservation targets in the licence.

The key principles of IRP should be retained within Hunter Water's operating licence. These principles include treating supply and demand-side option equivalently, looking to the least cost sequence of options, fully including social and environmental factors and public input to decision making. It should be noted that the approach taken to water demand modeling when developing the IWRP is also important. Best practice demand modeling is necessary for both accurate water demand projection (the basis for supply-demand planning) and estimating the potential of demand-side options.

Also worth noting is that IRP principles are as applicable to the issue of drought security as they are to other supply and demand management issues.

Options evaluation in IRP should include as a minimum costs to both the utility and it's customers. Social and environmental factors should also be accounted for. Whether this is via inclusion of social and environmental factors within the cost analysis or by some form of multi criteria analysis, it is key that the 'least cost' sequence of options be determined as a point of reference. The value of including or excluding options in order to enhance social and environmental factors can then be reasonably assessed.

Given the social and environmental benefits of water conservation and the noted difficulties with fully accounting for these factors, it is not inconsistent with IRP principles to require a mandatory (minimum) conservation target. Despite the issues identified with a per capita target, this probably preferable too one based on residential consumption alone, as the potential for non-residential water conservation can be quite significant.

Thank you for the opportunity to attend the public workshop, and I hope these confirmations and clarifications can be incorporated into IPART's review. If appropriate, I would also be interested in commenting on Hunter Waters proposed multi criteria analysis process.

Your sincerely,

Dr Simon Fane