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Submission Hunter Water Licence Review.

I note Hunter Water's current Operating Licence will expire on 30 June 2007 and that The Tribunal is required to review the Operating Licence and recommend to the Minister for Water Utilities the terms of an amended or new Operating Licence, effective from 1 July 2007.

I wish to make the following points for consideration and appropriate action.

1. Definition of terms.

IPART has failed to define the terms "Customer", "Consumer" and "User".

Hunter Water has defined the terms of "Customer" and "Consumer" in their submission as follows:-

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

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

From my understanding the following are the definitions.

General definition

Customer one who purchases goods from another

Water definition

Customer one who purchases water directly from a water authority under a contract to purchase water

General definition

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

Water definition

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

General definition

User one who places into service a commodity.

Water definition

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

General definition

Water User

one who places into service a commodity namely water.

Water definition

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

General definition

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

Water definition

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

I do not believe Hunter Waters definitions are valid. For example if 100 people jointly own a block of land surely each person can not be a customer. Surely a consumer must be a customer as the transaction is selling water to users under contract for a financial consideration.

The new licence must clearly define the terms.

2. Centrepay

The IPART issues paper questions whether Hunter Water should be required to participate in Centrepay – an arrangement that allows bills to be paid via regular deductions from Centrelink payments. Hunter Water has indicated that it will be negotiating with Centerlink this payment option.

How does IPART and Hunter Water propose to deal with the Centrelink clients who are tenants or multi occupancy residents and therefore do not have water contracts

but do have obligations to pay for water use? This group represents about 35% of all households.

Will Hunter Water contract the supply of water to these people under the Customer Contract provision which under section 2.3 permits parties to have non standard water and sewer agreements? The submission by Hunter Water makes no explanation why this provision is not currently used to supply water to consumers including tenants and multi occupancy residents.

The new licence must require all houses be supplied with an agreement and individually metered supply.

3. Credit Management

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

This is outlandish for a host of reasons.

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

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

4. Customer Contract

Hunter Water proposes that a review of the contract be initiated within 12 months of the commencement of the new operating licence with the aim of having a new customer contract in place by late 2008.

I support the need for a new Customer Contract.

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

The new Customer Contracts should be a condition of the new licence.

5. Complaints

Hunter Water claims it has well-established processes for responding to enquiries, complaints and disputes received from customers. Hunter Water states “essentially, if a customer is not happy with an aspect of our service delivery, the Corporation wants to know about it and will take every reasonable action to resolve issues amicably.

I put it to IPART that Hunter Waters process is far from satisfactory.

I support my point using two examples.

Firstly a letter to Kevin Young is still un answered. Attachment 1

Secondly my complaint about my faulty water meeter reading is still not addressed. Attachment 2.

It is also of great concern to me that Hunter Water claims that “Consumers (eg tenants and multi occupancy householders) are treated in the same way as customers in everything other than financial transactions, and existing complaint handling policies do not differentiate between a customer and a consumer.”

I put it to IPART that the revenue raised by Hunter Water is from the sale of water to Customers under a Customer Contract and therefore the provision of good and services ie complaint resolution without a fee for service is unreasonable, unfair and inequitable. In most cases I believe it would also be a breach of privacy and confidentiality as the sale of water is under contract to a customer.

The new licence must include a complaints mechanism that achieves results for customers. AND the process be fee for service for non customers.

6. Consultative Forum

Hunter Water considers that the Consultative Forum is effective in meeting the operating licence requirements for community consultation. It also states that Hunter Water will use the outcomes of the recent survey to build on the forum’s current operation and effectiveness.

Although Hunter Water claims that at the end of 2005/06, the forum had 16 member organisations, covering a range of key community, environmental, business and local government organisations it is almost impossible to locate any of those organisations or the people that represent those organisations.

A search of the Hunter Water web site fails to locate any reference to the forum or community forum. There are no membership details and no minutes of meetings.

I can not recall any of the forums activities being reported in the press.

The forum brochure also does not show the forum membership.

The new licence must require the forum to be visible.

7. Water Consumption target.

Hunter Water considers that the existing cap of 215 kilolitres per year on residential use is the best target for managing demand growth in the region given the unpredictable nature of business.

It is my understanding that this cap is calculated by dividing customer consumption by the number of customers. This figure is therefore false as the consumption should be divided by the households supplied.

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

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

8. Water Meters

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

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

It is also believed that as many as 40% of households do not have individually measured water supplies.

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

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

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

9. Water use assessment

When a water meter fails or is found to be inaccurate Hunter Water uses a procedure of assessing water on past usage. It does not take into account changed circumstances. This is wrong.

By way of example my meter was found to be inoperative. I, as a single person, was assessed as having the same consumption as a family of seven who previously occupied the house.

The issue of a new licence needs to incorporate revised procedures

10. Washing Machine Rebate

Sydney Water and many local government areas and other states have introduced a rebate for water efficient washing machines. Hunter Water customers have not received such benefit. This is disappointing particularly in light of the media and advertising state wide coverage.

As an aside Sydney Water households may not be able to receive the rebate as they are not customers. This excludes about 40% of households.

The new licence must require the adoption of activities with state wide value.

11. Residential Types

Stand alone houses are likely to have water meters however flats, units, villas and other multi occupancy combinations generally only have one common meter per property.

New initiatives including BASIX are designed to conserve water and encourage efficiency.

To complement these initiatives and to be compatible with the trend for higher density housing I believe Hunter Water should have developed a policy related to metering water in households.

Given that Hunter Water defines a customer as “any person who is an owner of property within Hunter Water’s area of operations that is connected to a water main or sewer main owned by the Corporation as a person” then all owner occupied strata units should have individual meters.

The new licence must require all households be supplied with an agreement and individually metered supply

12. PAS Payment Assistance Scheme

Hunter Water customers experiencing genuine financial difficulty may also be eligible for the payment assistance scheme. The PAS is available to customers through nominated welfare agencies. These agencies assess customers experiencing

financial difficulty and may issue \$25 vouchers for use in payment of residential accounts. The amount of assistance and the frequency with which it is required is determined by the agency undertaking the assessment.

Hunter Water fails to identify that Landlords are not eligible even if tenants are not meeting their responsibility for water use.

Tenants and multi occupancy households are not eligible as they are not customers.

13. The REFIT Program

The residential REFIT program is undertaken by Hunter Water in conjunction with Energy Australia and the five local councils covered by Hunter Water's area of operations. It provides customers with a fully installed 3-star showerhead, a water audit, a trigger nozzle and efficient light globes. This program has the potential to save householders up to \$150 per year through the use of water and energy efficient products and services. It is estimated that approximately 20-30 kilolitres per year of water can be saved per household as a result of installation of the REFIT kits.

This program is for customers and therefore excludes all tenants and people in multi occupancies.

Where the program has been implemented in a tenanted property by the tenant has the approval of the landlord been sought?

Where the REFIT kits have been supplied to non customers who has funded the kits? Surely it is unreasonable for the customers to fund the non customers.

A new licence should require all households to be individually metered and responsible for their own water use (and waste) and that the payment for water be 100% user pays.

14. Water Conservation and Saving.

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

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

Hunter Water has therefore not in this licence period actively encouraged an increase in the user pays system.

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

15. Storm Water re use.

Hunter Water and Newcastle City Council jointly manage an extensive storm water drainage network however to my knowledge there is nowhere in the network where the water is collected and returned to storages or recycled.

Even in the Wallsend area where the possibility of flooding is being considered the reuse of the water is not considered.

The new licence should include a target of water collection for reuse from the storm water drainage system.

16. Water Saving promotion.

Considerable funds have been expended promoting water saving and wise use. Whilst there are considerable benefits in this process it is of concern that the water saved may be wasted by activities like filling the "Duck Pond" (the small lake in the foreshore) with fresh water to allow model boats to sail.

Whilst IPART may consider this to be trivial it highlights the fact that users of water have a variety of reasons. People should be permitted to use water for what ever purpose they wish provided they are prepared to pay a realistic price on a per litre basis. People who wish to use water should therefore be able to sign a customer contract.

The new licence should recognise that the best method of saving water is making people pay for its use.

17. Central Coast Water.

Hunter Water is currently expanding the sale of water to the Central Coast. This water is being drawn from infrastructure funded by Hunter Water customers. These infrastructure costs have been one of the bases for the price determination by IPART for the sale of Hunter Water water.

Hunter Water's submission does not indicate the impact of the sale of water on Hunter Water customers. I would be reasonable for Hunter Water to explain the actual sale price of water per kilolitre to the Central Coast. It would also be reasonable for Hunter Water to explain the cost and source of funding of the infrastructure necessary for the project.

If the price is not \$1.09 a kilolitre did IPART determine the price?

The new licence need to have transparency in water dealings.

18. Reseller of water.

Hunter Water's submission does not indicate if it is a provider of water to resellers.

I believe Gosford, Wyong and landlords are resellers as they are not what Hunter Water describes as "Direct Customers".

Is it permissible under Hunter Waters licence to supply water to resellers?

If so under what conditions does this take place?

The new licence needs to have procedures for the sale of water to resellers if the activity is permitted.

Conclusion

The issues listed above are not in any priority order and are not exhaustive.

As water is becoming a more scarce resource it is imperative that those who use the product pay for it.

The demand for bottled water in shops is controlled by price with no concessions, exemptions or financial arrangements. The sale is a contract. The organisations that bottle the water and sell it are regulated by various licences and laws.

Water from the tap should be no different to bottled water.

Individual water meters in all households with 100% user pays is the way residential water sales should be conducted. The basis for non residential users should be similar.

As a final comment I believe IPART needs to examine the effectiveness of its own operation and in particular the process of this review. I believe the failure of this review to attract submissions is not a statement of content but rather the failure of IPART to educate the community of the process and options to comment.

Rick Banyard

Attachment 1

Letter to Kevin Young

Rick Banyard
PO Box 205
Waratah
2298

17th July 2006

Mr Kevin Young
Hunter Water

Dear Mr Young,

I wish to take very strong issue with your letter in the Herald on Saturday.

You refer to the use of user pays pricing as a method of encourage “people to use our precious water wisely.”

I believe that you will find that the user pays ratio has been falling as consumers have been reducing their water usage. Typical of the houses I manage the user pays ratio has fallen from 49% to 45% in the last two years where the water use has fallen by 10%.

Your example shows a comparison of a user using 210kL. Most accounts I see are of consumptions between 30kL and 65kL. What is the mean consumption for households.

I believe that you do not realise that a large number of households do not have water meters. The figures I have are that about 30% of households do not have individual meters. These households have no user pays incentives.

Finally I do not think that you realise that all tenants in Hunter Water’s area are prohibited from having Customer Contracts. This could be as much as 40% of Hunter Waters users.

The inability of tenants to have Customer Contracts not only forces landlords and property owners to handle the water costs but also precludes the tenants from receiving customer benefits including pensioner rebates.

The IPART determination to which you refer has a number of features that your organisation does not have. One of these refers to the supply of water to premises without meters.

I trust you will consider my comments.

Rick Banyard