

Attachment L: Self-assessment against the 3Cs framework

This attachment summarises our 3Cs self-assessment for our 2025-30 pricing proposal. It explains our process and approach to the self-assessment, along with supporting information to substantiate our grade.

We have assessed our 2025-30 pricing proposal as **Advanced**. We provide an overview of our self-assessed grading in Section 11.1 of our pricing proposal. More information about our self-assessment is provided below.

Approach to self-assessment

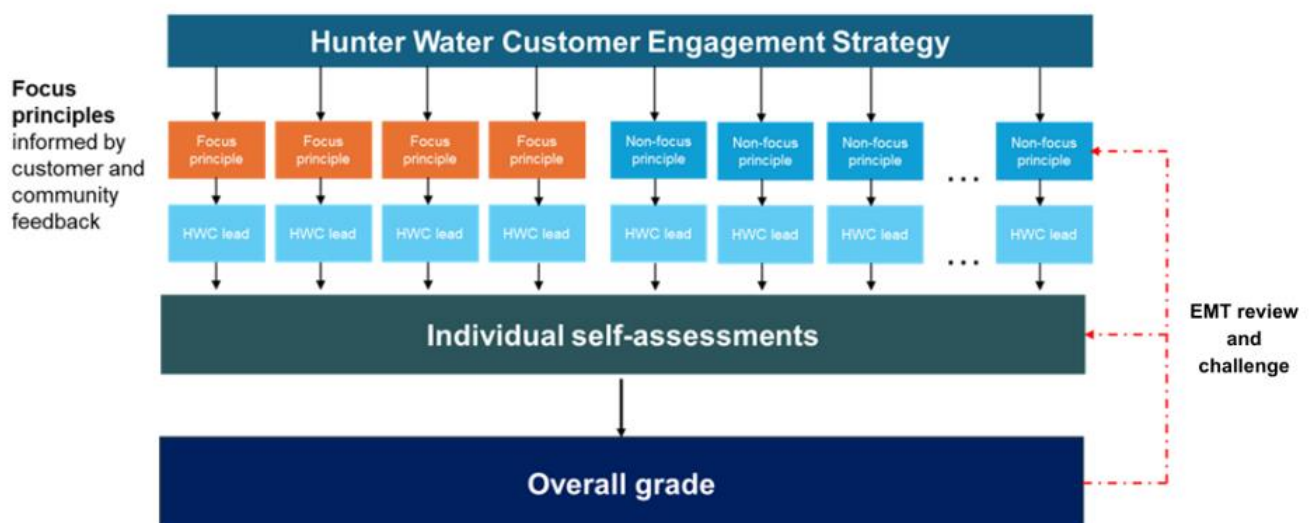
Summary of our approach

Our approach to the 3Cs self-assessment is summarised in Figure 1. It involved determining our customers' priorities for the 2025-30 pricing proposal, and our focus principles. We assigned a Hunter Water lead for each of the 12 principles, with responsibility for collating evidence to inform the recommendation and determination of a grading. We developed guidelines to ensure the self-assessment of individual principles was consistent.

Selection of our focus principles, and our self-assessed gradings, were subject to thorough review and challenge by the Executive Management Team (EMT) and our Board. The overall grade was determined based on consideration of all individual assessments, with more emphasis on the focus principles, as well as a cross-check to IPART's guidance.

We identified that we are advanced in most principles, including the focus principles, which means we did not undertake quantitative weighting or other processes to arrive at our overall grade.

Figure 1: Summary of our self-assessment process



Source: Hunter Water

Establishing our focus principles

Each of the 12 principles under the 3Cs framework is important. However, our focus principles reflect the most important priorities for our customers, right now. In Section 1.4 of our pricing proposal, we explain the customer insights and reasons that led us to select these focus principles.

Our customer-based focus principles include customer centricity and customer engagement. We've put customers and community at the heart of our pricing proposal, with almost 9,000 people helping to shape our activities, services, and prices over two years of engagement. We provided a high level of public participation with decision-making on topics that matter most to the community and could have a material impact on bills.

Our customers are experiencing significant cost-of-living pressures. Since our last pricing proposal, customer views have shifted with increasing focus on delivering core services, providing value for money, and keeping bills as low as possible. These factors were important determinants for our cost-based focus principles – robust costs, balancing risk and long-term performance and commitment to improve value.

Assigning responsibility for self-assessments

To ensure appropriate coverage of our self-assessments, we appointed leads who were subject matter experts relevant to the principle. The role of the lead was to coordinate stakeholders to undertake the self-assessment, collate evidence, and propose an initial grade.

Members of our Economics team were assigned as 'regulatory experts' for each principle to support with interpretation of IPART's grading rubric and to challenge the self-assessments.

Each principle also had an Executive sponsor who represented the principle during EMT and Board deliberations.

Our approach to self-assessment

Before undertaking our self-assessment, we proposed an initial set of focus principles based on the extensive customer engagement we have undertaken to inform our pricing proposal. An information session was held with the principle leads to discuss the process and timing for the self-assessment. Guidance was provided as to the approach (**Box 1**).

Box 1: Hunter Water's approach to self-assessments

We applied the following principles for our self-assessments:

- The assessment is on the **quality of our 2025-30 pricing proposal** as related to each principle. This is consistent with IPART's intent that self-assessments are designed to incentivise high quality proposals.
- The assessment **focuses on IPART's grading rubric**. While many factors could be brought into consideration for self-assessments, our primary set of criteria is IPART's grading rubric in the Water Regulation Handbook.
- Provide **evidence to support the self-assessment**. For example, supporting evidence may include an existing Hunter Water document or a case study.
- Be **realistic and feasible**. The grading should not be pessimistic nor unrealistically positive. The assessment should be clear about areas where Hunter Water will strive to improve in the future.

Self-assessments were an iterative process involving both informal and formal reviews. The informal stages focused on applying a consistent approach and identifying the most relevant supporting information. Formal reviews included EMT meetings where each lead presented on the assessment and proposed grades, as well as presentation to our Board.

This was a thorough process that resulted in changes to initial focus principles and grades and ensured we put forward a proposal that was fully endorsed by the Board.

Overall grade

By grading each principle, we were better informed to propose an overall grade.

We propose an overall self-assessed grade of **Advanced** because:

- We assessed all our focus-principles as Advanced (with some close to Leading)
- Most of our non-focus principles are also Advanced
- We are satisfied that a self-assessed grade of Advanced is consistent with IPART's Water Regulation Handbook, which indicates that this reflects "*...businesses that demonstrate very strong understanding of their customers and are broadly at the cost efficiency frontier*".¹

The sections below provide more information and justification for our self-assessment.

¹ IPART, *Water Regulation Handbook*, July 2023, p 50.

Customer principles

1 Customer centricity

Guiding question	<i>How well have you integrated customers' needs and preferences into the planning and delivery of services, over the near and long-term?</i>
Self-assessed grade	Advanced We have made good progress towards becoming a customer centric organisation, where customers and the community are at the heart of all we do. Our customer experience strategy is guiding us in our customer-centric approach, to make it easy for customers to interact with us. We've implemented a deep and robust customer engagement strategy that has provided customers with a high degree of influence over key topics most important to them.
Future focus areas	We recognise that more can be done with digital technology to provide a better experience for customers, and to meet the market expectations.
Customer summary	This is a focus principle . Our customers have high expectations for us to integrate their needs and preferences into our planning and service delivery.
Relationship with other principles	<ul style="list-style-type: none"> This principle aligns with all other principles, as customers are at the heart of everything we do.

Develop customer engagement strategy

Expectations		Summary response
Standard	<p><i>The business has a published customer engagement strategy which:</i></p> <ul style="list-style-type: none"> <i>sets out how it seeks to understand what matters to customers, and identifies the outcomes that maximise long-term customer benefit at an efficient cost</i> <i>considers the level of influence customers have in how services are delivered</i> <i>identifies the role of customer engagement in understanding customer preferences</i> <i>commits to engage with customers in the pricing proposal and for major investments.</i> 	<p>We are committed to becoming a customer-centric business; one that listens to our customers and community, understands their values and preferences, and incorporates them into our decision-making.</p> <p>Our Customer Experience Strategy is our plan to succeed and deliver on our ambition of becoming a customer-centric business, where customers and the community are at the heart of all we do. It aligns with NSW Government's Customer Strategy, designed to deliver our shareholder's vision to become the world's most customer-centric government.</p> <p>We want our customers to receive a better experience than what they receive today. Reducing effort, giving them time back and resolving their problems. To deliver experiences they value, built on a foundation of trust. The promises that we make in our Customer Experience Strategy (make it easy; respect me, respect my time; resolve the situation) also underpin our customer outcome (and strategic objective) <i>Great customer experience</i>, which will provide consistency of focus across the organisation.</p> <p>Our 2025 – 2030 Pricing Proposal Engagement Plan explains how our comprehensive customer and community engagement has been conducted across multiple stages over two years in a way that is representative, reliable and valid. The process aims to balance customer, community and environmental needs.</p> <p>This program builds on the extensive customer insights we have drawn from ongoing interactions, along with targeted engagement that we've conducted previously to inform our decision-making (e.g. Lower Hunter Water Security Plan).</p> <p>A dedicated area of our website was used to publicise our 2025-2030 Pricing Proposal Engagement Plan, encourage participation, and share a summary of findings from each stage of engagement.</p> <p>The stages of our engagement process seek to identify the outcomes that matter to our customers and community and the cost-service level trade-offs (i.e. willingness to pay for the services and outcomes customers want).</p>

	<p><i>The strategy should be well structured and easy for customers to follow, and articulate clear roles and responsibilities of customers, regulator(s) and business.</i></p>	<p>Considerable effort has been placed on making our 2025 – 2030 Pricing Proposal Engagement Plan easy to follow. The plan steps out each stage of the engagement program and the activities that would be undertaken for each stage. Ways we would maximise participation are also articulated in the plan. It clearly sets out the roles of the regulator and Hunter Water, and the range of ways that stakeholders can participate.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Advanced</p>	<p><i>The strategy demonstrates that customers have a high level of influence in how services are delivered and commits to gain insights from customers through a variety of methods.</i></p>	<p>We have aligned our approach with the International Association for Public Participation (IAP2). The Public Participation Spectrum helps to define the scope of the community's input and their level of influence on the decision-making process. As part of our deliberative forum process, we have committed to incorporate the Community Panel's recommendations on deliberative topics into our pricing proposal to the maximum extent possible (collaborate).</p> <p>We have chosen methods to provide all customers with a variety of ways to be involved in influencing how services are delivered. These methods included:</p> <ul style="list-style-type: none"> • Regular touchpoints with our customers and Community through our Quarterly Community Survey • Targeted surveys, including our Bill Simulator Survey and Priorities Survey (both in stage two) and price structures survey (stage four) • Focus groups (across stages one, two and four) • Both Surveys and focus groups for our price structures engagement • Face-to-face workshops • One-on-one interviews with non-residential customers • Listening posts (online workshops with 10-20 participants) • Deliberative forums in stage three with our Community Panel <p>Ways we have promoted all our engagement activities include:</p> <ul style="list-style-type: none"> • Invitations to participate in surveys sent to our e-Billing database • Via our social media channels • Via our community E-newsletter 'The Stream' • At community events such as open days, disability and multicultural expos. • Focus group participants were recruited to form cohorts with specific demographic characteristics, e.g. customers experiencing vulnerability, young people, older people, and Aboriginal and/or Torres Strait Islander people. • Conversations with stakeholder groups • Email invitations to non-residential customer database • Via our deliberative forum community panel participants <p>We also established a Community Engagement Advisory Panel (CEAP) to review, test, evaluate and improve our plans at critical moments in the engagement journey. We learnt along the way and used these learnings to adjust our engagement and plans iteratively.</p>

Leading	<p><i>The strategy empowers customers to co-develop the most material aspects of its pricing proposal that impact price and service.</i></p>	<p>As noted above, we have committed to collaborate with our customers and community in informing the pricing proposal on key topics deliberated on by our Community Panel. The IAP2 framework includes an 'empower' category which involves even greater public participation in decision-making. We consider 'collaborating' to be an appropriate level of participation however this is reviewed on an ongoing basis.</p> <p>Regarding materiality, in stages one and two of our pricing proposal engagement, the community helped to choose three topics that were to be deliberated on by the Community Panel across stage three.</p> <p>Due to affordability challenges our community faced, and extensive investment prioritisation undertaken, many remaining material aspects of our proposal were out of scope for customers to influence because the investments were either:</p> <ul style="list-style-type: none"> • Essential to ensure we meet minimum regulatory requirements (e.g. water treatment upgrades to ensure we meet the Australian Drinking Water Guidelines (ADWG)). • A decision made by our customers, community and the NSW Government on a specific project that progressed to the delivery phase (e.g. the Belmont Desalination Plant) <p>At the end of stage one, we prioritised topics for stage two based on four criteria:</p> <ol style="list-style-type: none"> 1. materiality of estimated \$ impact on annual bills 2. the proportion of customers who told us that the topic was more important than affordability 3. customer interest in deep participation on the topic, as measured on the IAP2 framework spectrum 4. external stakeholder recommendations on the level of public participation in decision-making on the topic. <p>At the end of stage two, we reprioritised topics based on the findings from that stage's activities.</p> <p>Specific areas of customer interest in tariffs and pricing were identified during stages one, two and three of our pricing proposal engagement. These areas were then explored further through a dedicated tariff customer engagement. Insights resulting from this engagement were considered/incorporated into the decision making on our proposed water and wastewater pricing.</p>
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Customers influence business outcomes

Expectations	Summary response	
Standard	<p><i>Customer insights and engagement influence customer outcomes, inform business decisions, and short-, medium- and long-term plans.</i></p>	<p>Our Customer Experience Strategy demonstrates that customers have a high level of influence in how services are delivered and commits to gain insights from customers through a variety of methods. We closely monitor our performance against customer satisfaction and community survey results.</p> <p>We developed six customer outcomes in this pricing proposal that reflect what's important to our customers and community. Improvements in the customer outcomes increase customer satisfaction. The customer outcomes form six out of the nine strategic objectives in our 10-year corporate strategy.</p> <p>Our investment structure is based on the concepts of Strategic Cases, Investment Plans and investment items. Each template includes a section for a summary of customer insights, so that these are transparent to decision-makers. The sections are a cut down version of the insights used to generate the investment plan or business case recommendations.</p>
Advanced	<p><i>Customer insights are linked to customer outcomes, which inform ongoing improvements in the way services are delivered to customers.</i></p>	<p>The insights we have attained from our customers as part of our 2025- 2030 Pricing Proposal Plan are directly linked to our customer outcomes. These insights have built on our existing understanding of our customer's and communities' priorities, preferences and expectations, to develop our customer outcomes. Please refer to the 'Customer Outcomes' principle for further details.</p> <p>Fuelled by data insights and cross organisational collaboration, we've also co-designed a detailed target state customer experience blueprint when developing, connecting to and using our water and wastewater network. This blueprint experience details what we desire our customers to experience, feel and remember at each stage of their journey with us.</p> <p>Our case study on 'website usability improvements' demonstrates how we are using feedback and insights from our customers to target meaningful improvements to the way we deliver our services to customers.</p>

Processes support customer centricity

Expectations		Summary response
Standard	<i>Systems in place to respond to ongoing customer feedback.</i>	<p>A customer-centric organisation requires us to listen to the needs of individuals and respond with personalised and proactive services in an integrated way. We hear from our customers and community regularly through a variety of two-way communication, including:</p> <ul style="list-style-type: none"> • In person at our front desk customer service desks or over the phone, through our contact centre • Virtually, through online enquires, emails and social media • Through targeted community engagement activities and events • Via targeted surveys, such as our Quarterly Community survey and our CX monitoring surveys • Through our outreach programs, as part of our approach to supporting customers experiencing vulnerability <p>We investigate complaints, and when these are systemic, we take action to drive organisational improvement initiatives, including evaluating investment opportunities.</p> <p>The provision of ongoing customer feedback from the touchpoints mentioned above has informed our understanding of our customers. Our Customer Experience Strategy is our blueprint for success and sets out how we can create an organisation that can adapt and evolve with the changing needs of customers. Looking from the outside in, deeply understanding our customers, and focusing on the capabilities that will enable improved services and experiences for customers.</p> <p>We have improved the delivery and targeting of our customer assistance program using feedback from our customers (see our case study on 'responding to customer insights on vulnerability').</p>
	<i>Consumer facing businesses propose assistance programs for customers experiencing vulnerability (e.g. hardship programs, payment plans, access to concessions or other).</i>	<p>We provide a range of assistance including personalised support for customers who need it. We provide further details in section 9.6 of our proposal.</p>
Advanced	<i>Learns from and keeps up with peers and industry best practice engagement methods.</i>	<p>We have worked closely with our engagement partner for the pricing proposal to understand the experience of our Victorian peers with the PREMO model. We are members of relevant WSAA groups to understand emerging approaches across the Australian water industry and meet regularly with other utilities such as Sydney Water colleagues to compare approaches.</p> <p>We also collaborate with the Justice and Equity Centre (formerly PIAC) and get involved in their research relating to customers associated with disadvantage and the impacts. As previously mentioned, we have established a Community Engagement Advisory Panel of experts in the field, to learn from and test approaches.</p>
	<i>Consumer facing businesses propose tools or processes to support early identification and interventions for customers experiencing a range of vulnerability circumstances</i>	<p>We have simplified processes to be accessible to more, including those experiencing vulnerability:</p> <ul style="list-style-type: none"> • Easy Pay – bill smoothing to remove bill shock, set and forget. • Plain English – support diverse needs so that all of our customers regardless of their circumstances have access to key information. • Outreach Program – targeted events across the region, promoting accessibility and inclusion for support options. • Help at the first point of contact - remove barriers to access through limiting paperwork (and no CRN) for hardship application. This is taken at face value, based on an assessment of their circumstances. <p>As highlighted in WSAA's 2024 report on 'Supporting customers in debt', we use a compassionate approach to collecting debt, ensuring we communicate our assistance offerings to customers potentially experiencing vulnerability. Our empathic approach is described on pages 5-6 of the report.</p>

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Leading</p>	<p><i>Clear evidence of continual improvement in customer value across the business where it reflects on, and incorporates, learnings from its engagement processes</i></p>	<p>We have a process to identify, prioritise, fund and deliver customer experience improvements. We're also empowering our people to identify and deliver experience improvements as part of our Customer Experience Strategy.</p> <p>We're actively seeking to improve our service offerings to increase customer value continually. We commissioned Quantum Market Research to undertake a study to gain a deeper understanding of the customer experience when receiving financial bill support from Hunter Water. From these findings:</p> <ul style="list-style-type: none"> • Customers are highly complimentary about the empathy and kindness of staff, resulting in high levels of satisfaction with both the support received and the organisation in general. • Customers feel like the support they receive is individual to them and not part of a wider program. They do not contact Hunter Water actively seeking the type of support they receive but feel as though it is being offered to them. This makes customers believe Hunter Water is personally taking care of them and listening to their circumstances. It also means customers do not feel embarrassed or ashamed to be placed in a wider group of customers experiencing financial hardship, which is not desirable due to social stigmas. • The amount or type of support given is not what is most important to customers, instead, it is the understanding and empathetic response customers receive from Hunter Water without judgement.
	<p><i>Consumer facing businesses propose simplifications to assist customers, including those experiencing vulnerability, improve accessibility and understanding (e.g. customer contracts, bills and accounts and water literacy).</i></p>	<p>One of our customer experience outcomes is to 'make it easy' so that our customers:</p> <ul style="list-style-type: none"> • can easily find and understand information relevant to their needs, • can use services and interact easily, in the channel of their choice, • know what support is available and how to access it, and • have access to flexible billing and payment options. <p>We have introduced to our home visit program a 'buddy' system where our people across the whole business have the opportunity to gain further insights, and uplift awareness and capability to identify customers that may be experiencing vulnerability and the support we offer.</p> <p>We have most recently launched mandatory training for all of our employees to embed an awareness and understanding of vulnerability across the organisation. This was designed by our people from insights and learnings from the WSAA maturity assessment and customer research.</p> <p>We have worked with accessible information specialists to translate key information for our customers into 'Easy English' format. You can view these on our website here.</p> <p>You can see examples of how we're making it easy for our customers in our 'building self-service capability' case study. The case study outlines the improvements to our online 'My Account' platform, including more flexible payment options for our customers.</p>

2 Customer engagement

Guiding question	<i>Are you engaging customers on what's most important to them, making it easy for customers to engage by using a range of approaches to add value?</i>	
Self-assessed grade	Advanced	We regularly engage with our customers and community to understand their needs and preferences, adapting our plans and expenditures to reflect them. We consider our rolling program of customer and community engagement for the pricing proposal to be aligned with best practice.
Future focus areas	We will work to improve our engagement with Aboriginal and Torres Strait Islander people, Traditional Custodians, younger members of our community and our non-residential customers.	
Customer summary	This is a focus principle . Our customers are evolving from passive users of our services becoming more actively engaged in our business. They expect convenient opportunities to provide feedback to us, and in ways that suit them best.	
Relationship with other principles	<ul style="list-style-type: none"> • Principle 1: Customer centricity - integrating customers' needs and preferences into the planning and delivery of services, over the near and long-term including via a customer engagement strategy. • Principle 3: Customer outcomes - how well does the pricing proposal link customer preferences to proposed outcomes, service levels and projects, based on customer engagement. • Principle 4: Community - engaging with and considering the broader community to understand their objectives, including traditional custodians of the land and water. 	
Engage on what matters to customers		
Expectations	Summary response	
Standard	<p><i>Select issues for engagement that matter to customers.</i></p>	<p>Prior to starting our customer engagement for our pricing proposal, we already had a strong understanding of our customer's preferences and priorities. This was informed by the extensive engagement undertaken for the Lower Hunter Water Security Plan (LHWSP) as well as other engagement activities which included a range of quantitative and qualitative research methods.</p> <p>Customers shifting preferences for investment in stormwater amenity works between the current and upcoming pricing periods is a reminder that views change over time and must be retested periodically.</p> <p>Building on this, the first stage of our customer and community engagement process for the pricing proposal focused on determining the issues that matter most to our customers to understand their appetite for engagement where there were important investment decisions to be made. This stage was intentionally broad to assess customer's views on what matters most, before the engagement process became more focused and targeted.</p> <p>Stage one of the engagement process included customer listening posts (online workshops), one-on-one customer interviews, seven focus groups and two quarterly surveys. Priority topics identified were:</p> <ul style="list-style-type: none"> • Affordability and cost of living pressures • Assistance to vulnerable customers who struggle to pay their bill • Hot spots of poor service • Digital meters • Carbon reductions • Recycled water and conserving water • Stormwater and catchment amenity projects.

Advanced	<i>Customers involved in setting priorities that matter most for deeper engagement.</i>	<p>Stage one of our engagement gave customers and the community the opportunity to identify issues of highest priority for more focused and targeted engagement in subsequent stages. During this phase, we heard from over 900 customers.</p> <p>In stage two of the engagement, customers and the community were given the opportunity to prioritise and make trade-offs between these key issues.</p> <p>Stage three involved a deliberative process where our Community Panel reviewed these topics and provided recommendations, which we have incorporated into our proposal to the maximum extent possible.</p>
Leading	<i>Collaborates with and empowers customers (and/or customer representatives) to develop solutions in customers' long-term interests.</i>	<p>During stage three of our customer engagement program, our Community Panel undertook deliberations. This in-depth form of engagement aligned with the 'collaborate' level of the IAP2 spectrum, and we committed to incorporate recommendations from the Community Panel to the maximum extent possible in our proposal.</p>

Choose appropriate engagement methods

Expectations	Summary response
<p style="text-align: center;">Standard</p> <p><i>Suitable consultation method/s have been chosen to reach a representative customer base and/or their advocates, such as renters, home-owners, vulnerable groups, and businesses</i></p>	<p>We have designed and delivered a comprehensive and inclusive engagement program for the pricing proposal, working alongside the highly experienced engagement professionals at Insync. Our consultation methods have included:</p> <ul style="list-style-type: none"> • Regular touchpoints with our customers and Community through our Quarterly Community Survey • Targeted surveys, including our Bill Simulator Survey and Priorities Survey (both in stage two) and price structures survey (stage four) • Focus groups (across stages one, two and four) • Surveys and focus groups specifically for our price structures engagement • Face-to-face workshops • One-on-one interviews with non-residential customers • Listening posts (online workshops with 10-20 participants) • Deliberative forums in stage three with our community panel <p>Recognising the diversity of our community, we have worked hard to make sure all voices can be heard. For example: focus groups have included renters, customers experiencing vulnerability, recent customers, younger people (future customers), older customers, Aboriginal and/or Torres Strait Islander customers and small and medium business customers.</p> <p>In cases where representativeness was lacking, we took additional steps to ensure the voices not present in the room were still heard. For example, our Community Panel did not include any customers under the age of 29. To address this, we ensured the views of young people were heard in the deliberative process by targeting a youth speaker to address the Community Panel. We also had two members of the panel attend a 'Youth Perspectives' session, as part of the University of Newcastle's Hunter Insight Series, where they presented insights back to the full panel.</p> <p>Ensuring a representative sample of our customers will remain a priority in the future, with a particular emphasis on younger and non-residential customers.</p> <p>Participation of those experiencing vulnerability:</p> <p>In all our customer and community engagement activities for the pricing proposal, we recorded demographic information so that we could understand whether types of customers have different priorities and preferences, including those experiencing financial vulnerability. We financially compensated participants in face-to-face activities to ensure participation is not reserved for only those who can afford to participate. Vulnerable members of our deliberative panel have been supported with participation tools where they don't have access to IT equipment.</p> <p>Participation of those with a disability:</p> <p>To address these barriers, many of the engagement activities were held online. All in-person events were held at venues with disability access. We offered to assist all participants with transport. For those impacted by hearing and/or speech disabilities, Auslan interpreters were made available.</p> <p>Participation of Aboriginal and/or Torres Strait Islander people:</p>

		<p>Aboriginal and Torres Strait Islander people were specifically recruited to participate throughout each stage of engagement of our pricing proposal to ensure that these voices are heard. We are co-designing an Aboriginal Engagement Framework with a local Aboriginal Professional to support ongoing engagement and plan for this process of development to continue beyond the timeframes for the pricing proposal.</p>
	<i>Opportunities for 2-way communication with customers exist</i>	<p>Each stage of engagement provided opportunities for 2-way communication with customers. In depth 2-way communication was facilitated through more collaborative elements of the engagement process such as the deliberations undertaken by our Community Panel during stage three.</p>
	<i>Scope of engagement proportional to the level of expenditure and the impact of the project.</i>	<p>Our first stage of engagement focused on understanding the preferences and expectations of our customers, and the level of influence they desire over specific topics. The topics that advanced to stage two of engagement were evaluated based on four criteria:</p> <ol style="list-style-type: none"> 1. Materiality of estimated financial impact on annual bills 2. The proportion of customers who told us that the topic was more important than affordability 3. Customer interest in deeper participation on the topic, as measured on the IAP2 framework spectrum 4. External stakeholder recommendations on the level of public participation in decision-making on the topic. <p>This approach ensured that we only undertook deep, deliberative engagement on topics where material expenditure decisions and outcomes were at stake, and where the topics were of genuine interest to customers.</p>
Advanced	<i>Chooses effective methods to provide all customers including more difficult-to-reach customers – with a high level of influence in how services are delivered. Responses are then triangulated and tested against other information.</i>	<p>We've used a range of techniques to explicitly and meaningfully engage difficult-to-reach customers in the process. This is referred to in our response to the standard requirement above.</p> <p>Our collection of data utilised mixed methods to enable triangulation. We went through the bill simulation survey with a series of focus groups to understand the 'why' behind the investment and bill impact choices made by participants.</p> <p>The same topics were covered in the prioritisation survey, allowing us to better understand not only how much customers were willing to pay, but what principles they used to prioritise potential investments. We combined insights gained through the pricing proposal engagement process with earlier findings to create a more well-rounded understanding.</p> <p>By using these methods, we could tell a more robust 'story' about customer preferences for these topics than a single method could achieve on its own.</p>
Leading	<i>Continuously seeks to improve methods of engagement and explore innovative methods.</i>	<p>In collaborating with engagement consultants and leveraging our prior experience, we have made significant steps in enhancing the quality and innovation of our engagement methods that have supported the development of the pricing proposal.</p> <p>Our Community Panel deliberated in-depth on topics using a method consistent with OECD best practice guidelines.</p> <p>We are committed to continuing to improve and refine our approaches while observing and learning from leading engagement practices undertaken by industry peers. We travelled to Victoria to observe Goulburn Valley Water's (GVW) customer accountability panel, gaining insights and ideas for the design of our own Community Committee model. GVW's proposal was rated as leading under Victoria's PREMO water pricing framework.</p>

Engage effectively

Expectations

Summary response

Standard	<i>Unbiased, clear explanation of context and objectives.</i>	<p>Clear supporting explanations and material were developed for participants involved in each type and stage of the engagement process. Our engagement consultants leveraged their expertise to explicitly address cognitive and response biases within the engagement process. This has involved careful framing, survey design, cognitive testing, asking questions in different ways, deliberation and re-testing of engagement outcomes to ensure engagement has been accessible, understandable and reliable. Any direct engagement activities were facilitated by third party consultants to ensure the running of activities was unbiased.</p> <p>Ensuring the clear and unbiased presentation of information was a key focus for the Community Engagement Advisory Panel (CEAP). We incorporated CEAP feedback into survey instruments, presentations, and focus group materials.</p> <p>In the stage two bill simulator survey and priorities survey, participants were asked "How did you find this exercise?". The three response options were: fair and authentic, no opinion and loaded and leading. 10 per cent and 13 per cent responded "loaded and leading" for each of the surveys respectively. While these results are slightly</p>
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		higher than the average for studies of this type, they are aligned with findings from other corporations where there is also a large unavoidable price rise. Details of the responses have been shared in our engagement report.
	<i>Participants are informed of the impact of their feedback</i>	<p>We shared comprehensive information with participants and the wider community on the impact that their input and feedback has had on the development of the pricing proposal and our longer-term plans.</p> <p>We held a 'Close the Loop' session with deliberative forum participants to show them how their recommendations are reflected in the pricing proposal. The Community Panel members who were present nearly unanimously indicated that we had kept our promise to collaborate with them through the deliberative process.</p> <p>In response to requests from the Community Panel, we modified our program to incorporate price structure engagement into Stage Four.</p>
	<i>Engagement is easy to understand, and customers' understanding is tested and where relevant, technical literacy/capacity is supported for effective engagement.</i>	<p>All engagement material and processes are conducted in Plain English pitched at a year 7 reading level and free of industry jargon to allow for easy comprehension and understanding of the material.</p> <p>At critical moments, CEAP has reviewed draft material for accuracy, objectiveness, and accessibility.</p> <p>Key materials underwent a cognitive testing process to ensure understandability by an average customer.</p> <p>To accommodate customers with lower numeracy skills during Stage Two, we included a prioritisation survey (that didn't include potential bill impacts) in addition to the bill simulation survey.</p> <p>During the recruitment process for the deliberative forums, we offered support to participants to assist with any needs they might have.</p>
	<i>Culturally and linguistically diverse groups are supported in their engagement</i>	<p>As noted above, we worked hard to make sure all voices can be heard. Compared to other utilities, we have a relatively small proportion of customers from culturally and linguistically diverse (CALD) groups.</p> <p>We had representation from CALD groups on our deliberative forum community panel. During the recruitment process, we offered assistance such as access to translators to support participation.</p>
	<i>Information is accurate, objective, tells the whole story and is correctly targeted to its audience</i>	<p>We have strong internal approval and governance processes to ensure that the information that we have provided throughout the engagement processes has been accurate, and objective, tells the whole story and is correctly targeted to its audience.</p> <p>Our expert engagement advisors have reviewed and delivered our engagement material, to ensure a consistently high standard of impartiality has been maintained across the program.</p> <p>CEAP reviewed key engagement materials, and we incorporated their feedback.</p>
	<i>Clear explanations of investment options, service levels, and uncertainties.</i>	<p>Investment options and service levels have been tested within the engagement process, utilising the bill simulation survey, a prioritisation survey and explanations provided in focus groups and during the deliberative forum.</p> <p>The CEAP reviewed and recommended improvements to our descriptions and presentations of the baseline bill impact, ensuring we highlighted any uncertainties to the Community Panel to maximise transparency.</p>
Advanced	<i>Engagement includes clear explanation of options (including price differences and any potential trade-offs), and participants are confident their feedback will influence outcomes.</i>	<p>Stage two of the engagement process quantified the value that customers and the community placed on the experiences, interests, concerns and priorities identified in stage one.</p> <p>We explored cost-service level trade-offs (for example: willingness to pay for the services and outcomes customers want) and the drivers of the various choices and trade-off decisions. This information informed deliberative decision-making in stage three of the engagement process.</p> <p>The deliberative forum Community Panel were provided a clear explanation of the portion of any upcoming bill impacts that they could not influence (were out of scope for deliberation), and why. We undertook cognitive testing on the presentation of bill impacts for the deliberative forum, to ensure we maximised understandability for participants.</p> <p>In stage five of the engagement, we asked our Community Panel whether we had reflected their recommendations to the maximum extent possible in our proposal. The Community Panel members present nearly unanimously agreed we had done so and that their feedback had influenced our proposal.</p>

3 Customer outcomes

Guiding question	<i>How well does your pricing proposal link customer preferences to proposed outcomes, service levels and projects?</i>	
Self-assessed grade	Advanced	We've undertaken a comprehensive engagement process to develop the 2025 - 2030 pricing proposal outcomes and the associated performance measures/targets that reflect what is most important to our customers. Our proposed expenditure, projects and service levels have been aligned to these. The accountability mechanisms proposed reflect customer concerns about prioritising affordability during current macroeconomic conditions, strengthening our reputational accountability through transparent, accessible reporting and some progress towards ODIs (noting these are currently in their infancy in Australia).
Future focus areas	<ul style="list-style-type: none"> Ensuring we continue balancing affordability concerns and delivering step changes in outcome performance in the areas our customers, community and stakeholders value most. Continuing to engage with customers to ensure we have a contemporary understanding of preferences, tempered with the need to understand, at each price review, what preferences expressed on individual issues and insights gained over time, mean in totality for customer bills and whether that changes the outcomes customers want or where they recommend that we spend their money. Working with IPART, other water utilities and other stakeholders on implementation challenges and collaborative valuation opportunities for ODIs. 	
Customer summary	We've developed our customer outcomes through over five years of customer insights. We've continued to refine and improve the clarity and validity of our outcomes throughout our pricing proposal engagement program to ensure they reflect our customers' values and priorities. Our customers have endorsed our outcomes as part of our stage four engagement. Each outcome is underpinned by clear measures and targets that were selected by applying a set of principles to shortlist and then consult with our customers.	
Relationship with other principles	<ul style="list-style-type: none"> Principle 1 – Customer centricity - Integrating customers' needs and preferences into the planning and delivery of services, over the near and long term. Principle 2 – Customer engagement - Engaging customers on what's most important to them and making it easy for customers to engage. Principle 4 – Community – Defined and measurable community outcome. Principle 5 – Environment - Defined and measurable environmental outcome. Principle 11 – Delivering – Capability and commitment to deliver customer outcomes. 	

Customers drive outcomes

Expectations		Summary response
Standard	<i>Propose outcomes, based on customer engagement, that capture what customers want you to deliver.</i>	<p>We've used a comprehensive process to develop customer outcomes based on customer engagement and that capture what customers want. These are Hunter Water's formally defined "customer outcomes" that will be delivered over the 2025 - 2030 regulatory period, including customer, community, and environment outcomes and associated performance measures.</p> <p>As a first step, we developed a draft set of six customer outcomes based on our customer research conducted between 2018 and 2023 (<i>Draft 1 Customer Outcomes</i>). This research included quarterly community surveys, customer experience monitoring, customer journey mapping, engagement work on the Lower Hunter Water Security Plan, engagement with vulnerable customers and on performance standards and rebates.</p> <p>The <i>Draft 1 Customer Outcomes</i> have been tested and refined in the first three stages of the pricing proposal engagement program from July 2022 to April 2024, including community workshops (community listening posts), in-depth stakeholder interviews, focus groups and quarterly community surveys. This included asking open questions about the outcomes that customers value before sharing the <i>Draft 1 Customer Outcomes</i>. This showed that the <i>Draft 1 Customer Outcomes</i> were strongly supported, requiring only minor modifications.</p> <p>We retested our outcomes as part of stage four engagement with 13 out of 14 workshop participants confirming they are confident the proposed outcomes reflect customer priorities. This was triangulated against quarterly survey results, reaffirming the same level of confidence.</p> <p>More information on this rubric aspect can be found in the Community Engagement and Community principles summaries.</p>

	<i>Link proposed expenditure to these outcomes</i>	<p>The nine strategic objectives in our corporate strategy include the six Customer Outcomes agreed upon with customers during the development of the pricing proposal. The three additional objectives are internally focused because customers consider them fundamental expectations (e.g., safety).</p> <p>Our proposal demonstrates a clear link between our customer outcomes and the expenditure we're proposing to deliver those outcomes. We have outlined the value of opex and capex assigned to each outcome, as well as examples of continuing actions and key projects we will undertake during the pricing period.</p>
Advanced	<i>Outcomes are concise, specific, measurable and written from customer's perspective. They are clearly aligned to customer preferences and proposed expenditure.</i>	<p>A process was undertaken to ensure that outcomes are expressed from a customer perspective, drawing on the feedback and inputs across all stages of engagement.</p> <p>As described above, we retested the final iteration of our draft outcomes as part of stage four engagement.</p> <p>Customer-recommended expenditure from the Community Panel deliberative forums aligns with customer outcomes developed through community engagement. Each recommendation area has a measure that ensures transparent reporting on progress.</p>
Leading	<i>Outcomes and supporting output measures and targets are co-designed with customers, and proposals are supported by customers.</i>	<p>Our customer outcomes are supported by a suite of performance measures that will track and illustrate our performance in delivering each customer outcome. Annual targets for each of these measures are proposed that are internally consistent and justified based on past performance.</p> <p>Aside from the measures associated with specific Community Panel recommendations, our targets are not co-designed with customers, but they do reflect the balance between service levels and affordability that our customers prefer. We listened to our customers and focused on affordability, which means our targets are not achieving as large a step-change improvement in outcome performance and customer value as we (and our stakeholders) might have liked. However, importantly, the delivery of the Belmont desalination plant will deliver a generational and marked improvement in water security. We also target a step change reduction in hot spots which was indicated as customer priority.</p>

Performance measures support outcomes

Expectations		Summary response
Standard	<i>Propose performance measures for each outcome</i>	<p>Performance measures are proposed for each outcome.</p> <p>A business-led 'bottom-up' approach initially developed draft performance measures. To do this, we reviewed external sources including performance measures in pricing submissions from other jurisdictions such as 2022 water utility submissions to the ESC and Ofwat's PR24 framework.</p> <p>Internal sources used to inform performance measures included:</p> <ul style="list-style-type: none"> • National Performance Report (from 2024-25) • Hunter Water draft Benefits Realisation Library • Hunter Water Quarterly Survey • Hunter Water CX Monitoring • Hunter Water Lower Hunter Water Security Plan targets • IPART annual Water Utility Customer Satisfaction Survey • May Quarterly Community Survey report • Stage four workshop summary report <p>We also engaged with customers to understand their preferred performance measures for each outcome as part of stage four of engagement.</p> <p>More information about this aspect of the rubric can be found in the Community, Customer Engagement and Customer Centricity summaries.</p>
	<i>Propose performance targets for each measure, referencing IPART's principles, with:</i>	<p>The outcome measures and targets were prepared collating more than 330 different measures used to track strategic progress across the water industry, including those adopted by peers regulated by the Essential Services Commission in Victoria, by Ofwat in the UK, and measures that form part of Hunter Water's existing corporate reporting.</p> <p>Subject matter experts from across Hunter Water shortlisted the outcome performance measures and targets, using the following desired criteria for each measure:</p> <ul style="list-style-type: none"> • Understandability: measures are expressed in terms that various levels of stakeholders can understand.

	<p>– internally consistent short-, medium- and long-term targets</p> <p>– targets justified based on past performance and other suitable industry benchmarks</p> <p>– targets that, at a minimum, meet customer protection operating licence standards and other regulatory requirements.</p>	<ul style="list-style-type: none"> • Control: performance against measures within Hunter Water’s control/strong degree of influence. • Measurement: performance can be reliably measured. • Outcomes: measures deliver customer outcomes, not outputs. • Objectivity: can be measured impartially (i.e., results are free from inherent or unconscious bias). • Base data: reporting is based on information we already collect or can collect. <p>The targets comply with IPART’s principles by ensuring targets at least deliver on customer protection operating licence standards and other regulatory requirements. As stated above, our customer outcomes are supported by a suite of performance measures that will track and illustrate our performance in delivering each customer outcome. Annual targets for each of these measures are proposed that are internally consistent and justified based on past performance.</p>
Advanced	<p>Targets show a step change improvement to customer value and include adequate protections for individual customers.</p>	<p>Step change improvement to customer value:</p> <p>We’ve explored the meaning and definition of a “step change” improvement to customer value with IPART to ensure that there is a common understanding. The customer value reflected in our outcomes, measures, and targets reflects the balance agreed with our customers, including accounting for affordability concerns. As stated above, we listened to our customers and focused on affordability, which means our targets only achieve a step change in performance in the areas our customers have told us are important.</p> <p>Adequate protections for individual customers:</p> <p>The targets reflect service standards that, at minimum, meet our licencing and regulatory requirements and safeguard minimum service standards for all customers. Where we have proposed measures and targets that would assist individual customers or smaller customer groups, these have been tested across our customer base, including in terms of willingness to pay. For example, we have tested willingness to pay for the following service quality issues impacting a small number of customers (2,000 to 3,000 customers):</p> <ul style="list-style-type: none"> • Persistent low water pressure, • Frequent or ongoing wastewater overflows, and • Persistent bad smells.
Leading	<p>Where supported by customer willingness to pay, service targets exceed past performance and other suitable industry benchmarks by an ambitious but realistic margin.</p>	<ul style="list-style-type: none"> • Our Community Panel, as part of our stage three deliberative forum process, recommended service improvements in three targeted areas: <ul style="list-style-type: none"> • Reducing our operational carbon emissions • Reducing leaks in our system to conserve more water • Fixing repeat service issues for customers (‘hotspots’). <p>The panel was provided with the results of our stage two ‘bill simulator’ survey, which reflected a customer’s willingness to pay as input to their decision-making. The Community Panel’s recommendations are reflected in our outcome performance targets for respective measures.</p>

Accountability for customer outcomes

Expectations	Summary response
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Standard	<p><i>Clear mechanisms ensure the business is accountable for delivering outcomes.</i></p>	<p>As a first step, we commissioned a comprehensive desktop review of accountability mechanisms adopted by water and other utilities to drive performance and demonstrate commitment to performance in a meaningful way to customers.</p> <p>The findings helped Hunter Water to understand:</p> <ul style="list-style-type: none"> • The extent to which Hunter Water’s Customer Contract rebates are similar to guaranteed service levels (GSLs) in the Victorian water sector. • Whether there are significant gaps in Hunter Water’s approach to rebates for service-level events. • If there is precedent, including customer support, among other utilities, for alternatives to customer rebates when certain outcome commitments aren’t achieved. • If there is merit in exploring changes to our customer rebates before our next Operating Licence review. <p>We formed the view that the existing rebates in our 2022-2027 Customer Contract are fit for purpose. There are no significant gaps that would warrant changes to our service-related rebate arrangements prior to the next review of our operating licence.</p> <p>We commit to introducing new, substantial rebates for remaining unresolved customers affected by the worst repeat service issues (priority 1 hot spots) no later than the end of the pricing period. This is in direct response to a Community Panel recommendation and aligns with feedback from affected customers.</p> <p>We will report on our performance against delivering proposed outcomes in the form of a publicly facing ‘report card’. We have also committed to establishing a community committee to ‘mark’ our report card and oversee our performance. We are modelling this committee on the best practices of a leading Victorian utility (including observing their committee undertaking the annual review).</p> <p>More information on this aspect of the rubric can be found in the Community Engagement and Community summaries.</p> <p>We explored a variety of other potential accountability mechanisms and tested these with IPART during early engagement before landing on our final proposal.</p>
Advanced	<p><i>All outcomes include steps the business will take if not meeting targets, and where appropriate, are supported by outcome delivery incentive (ODI) payments/penalties.</i></p>	<p>We’ve developed accountability mechanisms as part of our customer engagement and deliberation processes.</p> <p>As part of stage four engagement, we held a workshop with a subset of our deliberative forum community panel. We consulted on outcome measures and ways to communicate to the community our performance against targets. We landed on a publicly facing ‘report card’ published via existing channels.</p> <p>An ODI mechanism for leakage and new rebates for hot spots will support specific outcome measures.</p>
Leading	<p><i>All important customer outcomes with high customer value would typically be supported by ODI payment/penalty rates and targets.</i></p>	<p>We found it challenging to develop ODIs and view this as an area of improvement for us in future pricing proposals.</p>

4 Community

Guiding question	<i>Are you engaging with and considering the broader community to understand their objectives, including traditional custodians of the land and water, while ensuring services are cost-reflective and affordable today and in the future?</i>	
Self-assessed grade	Advanced	Hunter Water has a long history of strong links to its broader community and providing a range of financial and other forms of community support (such as sponsorships, community partnerships, grants, and education programs). Engagement with, and understanding of, the broader community has been integral to the development of our 2025 - 2030 pricing proposal. We have formalised our agreed community outcomes for the 2025 – 2030 period as part of our broader suite of agreed outcomes and associated measures and targets.
Future focus areas	Hunter Water is continuing to build and deepen its relationship with the traditional custodians of the land and water, including with support from the Aboriginal community. This will take time, and we expect that this will continue to develop over the 2025 – 2030 period.	
Customer summary	The community outcome, associated performance measures and accountability mechanisms have been thoroughly tested during engagement and are supported.	
Relationship with other principles	<ul style="list-style-type: none"> • Principle 1 – Customer centricity - Integrating customers' needs and preferences into the planning and delivery of services, over the near and long term. • Principle 2 – Customer engagement - Engaging customers on what's most important to them, making it easy for customers to engage. • Principle 3: Customer outcomes - how well does the pricing proposal link customer preferences to proposed outcomes, service levels and projects • Principle 11 – Delivering – Capability and commitment to deliver customer outcomes 	
Identify community outcomes		
Expectations		Summary response
Standard	<i>Engage with, and consider the broader community, including Aboriginal and Torres Strait Islander peoples, to identify community outcomes</i>	<p>The community outcomes and associated measures were developed via a comprehensive process with multiple rounds of engagement. On issues and outcomes that impact the broader community, we not only undertook broad-based survey work to gather information on desired community outcomes. We also worked with relevant community and stakeholder advocacy groups including two advisory groups (the Customer and Community Advisory Group and the pricing proposal specific CEAP).</p> <p>An 'Aboriginal Engagement Framework' is currently being developed via the Aboriginal led co-design model, which places Aboriginal people at the forefront of the co-design process. The framework seeks to establish a platform of genuine collaboration, centring Aboriginal voices in decision-making processes and fostering cultural responsiveness through mutual benefit and respect. It will guide Hunter Water and its employees by setting the tone of what, how, why and when we engage with Aboriginal people and communities. The draft framework is in the final stages of development, with external stakeholder consultation planned for late 2024.</p> <p>Aboriginal people participated in our engagement for the pricing proposal in surveys, as participants in our deliberative forum, and in dedicated focus groups with Aboriginal customers. We didn't engage deeply with Aboriginal community leaders or representatives as we took a deliberately measured approach. This recognised the impact of the Voice referendum on the community at that time, and the need for meaningful, respectful, long-term and sustainable engagement with our Aboriginal community.</p> <p>Draft customer outcomes for the 2025 - 2030 regulatory period (including a community outcome) have been tested and refined in the first three stages of the pricing proposal engagement program from July 2022 to April 2024.</p> <p>Stages four and five retested and finalised the refined Customer Outcomes, associated performance measures and accountability.</p> <p>More information on this aspect of the rubric can be found in the summary responses to the Customer Engagement and Customer Outcomes principles.</p>
	<i>Assess the benefits and costs to the customer of delivering on broader community values, as</i>	We engaged to determine customers' interest in potential projects that deliver community benefits, such as stormwater amenity work and using recycled wastewater or stormwater for community greening. Customers were presented with bill impacts and benefits to help inform their preferences. Our customers told us that affordability is their highest priority and that we should focus on core business (our primary functions) and ensuring bills are affordable, rather than broader community outcomes.

	<i>they relate to the provision of regulated services.</i>	
	<i>Consider costs/benefits and bill impacts before proposing expenditures.</i>	<p>Using a bill simulation survey, priorities surveys and subsequent deliberation, Hunter Water tested the bill impacts and willingness to pay for a range of potential expenditures including those with broader community benefits including stormwater amenity projects, community greening and carbon reduction projects. The findings were used to help select topics for deliberation in Stage Three, and findings associated with continuing topics were shared with Community Panel members.</p> <p>Our investment prioritisation process was centred around customer bill impacts – we quantified the bill impact of the proposed capital and operating expenditures, comparing these bill impacts to the benefits of the expenditures, and then made trade-off decisions to arrive at a final impact and expenditure proposal that we believe delivers customer value and is in their best long-term interest.</p>
Advanced	<i>Outcomes have demonstrated customer value and support, with awareness of bill impacts.</i>	<p>Through a bill simulation survey and deliberation, we have tested customer’s willingness to pay for expenditure that deliver broader community benefits including carbon reduction, liveability and environmental service standards, recycled water and stormwater amenity.</p> <p>Where there is little support for expenditure in 2025-30, including due to bill impact concerns, these topics have not been pursued e.g. stormwater amenity.</p> <p>Stage Two of the engagement process quantified the value that customers and the community placed on the experiences, interests, concerns and priorities identified in Stage One.</p> <p>Cost-service level trade-offs (i.e. willingness to pay for the services and outcomes customers want) and the drivers of the various choices/ trade-offs customers and community express were identified.</p> <p>The deliberative forum community panel were provided with a clear explanation of the portion of any upcoming bill impacts that they could not influence (were out of scope for deliberation), and why.</p> <p>More information on this aspect of the rubric can be found in the summary responses to the Customer Engagement and Customer Outcomes principles.</p>
Leading	<i>Demonstrate step change improvements in community outcomes, which prioritise customer preferences revealed through engagement.</i>	<p>We explored the meaning and definition of a “step change” improvement to community value with IPART to ensure that there is a common understanding.</p> <p>The community value reflected in our outcomes, measures and targets reflects the balance agreed with our customers and the broader community, including accounting for affordability concerns.</p> <p>More information on this aspect of the rubric can be found in the summary responses to the Customer Engagement and Customer Outcomes principles.</p>
Community outcome performance measures		
Expectations		Summary response
Standard	<i>Community outcomes have targets that are measurable, have intermediate steps and milestones built in (as needed).</i>	See our response to similar requirements in the Community Outcome principle, above.

Advanced	<i>Work and partner with local groups and other stakeholders to propose and deliver community outcomes within the scope of its services</i>	<p>The Love Water Grants is our flagship community grants program that encourages community groups, schools and organisations to apply for a one-off grant of up to \$10,000 annually.</p> <p>On issues and outcomes that impact the broader community, Hunter Water works with relevant community and stakeholder advocacy groups, examples are provided below:</p> <ul style="list-style-type: none"> • The Customer and Community Advisory Group (CCAG) is an advisory forum made up of community representatives who provide advice on customer and community interests. The CCAG enables two-way, open communication between Hunter Water and local councils, customer representatives, and environmental and community organisations. • The Throsby Creek Government Agencies Committee (TCGAC). We are working together with TCGAC to further improve the environment of the Throsby Creek waterway and its surrounds, and the amenity of the area for residents, visitors and commercial users. • The Lower Hunter Councils Strategy and Planning Group. Hunter Water coordinates this group that meets quarterly to facilitate collaboration of an integrated approach to water asset planning in the region. • We've also been involved in the Local Water Solutions Forum that includes UTS, CoNEXA, Sydney Water Corporation, Blacktown Council and the City of Sydney.
Leading	<i>Demonstrate innovative approaches to promote customer and community value</i>	An Aboriginal Engagement Framework is in development and is being Aboriginal led and co-designed.

Accountability for community outcomes

Expectations		Summary response
Standard	<i>Clear mechanisms ensure the business is accountable for delivering community outcomes.</i>	See our response to similar requirements in the Community Outcome principle, above.
Advanced	<i>Mechanisms include steps the business will take if not meeting targets.</i>	<p>We developed accountability mechanisms as part of its customer engagement and deliberation processes. As stated above, as part of stage four engagement, we held a workshop with a subset of our deliberative forum community panel. At this workshop, we consulted with participants about outcome measures and ways to communicate to the community our performance against targets.</p> <p>We will report on our performance against outcomes in the form of a publicly facing 'report card'. More information on this aspect of the rubric can be found in the summary responses to the Customer Outcomes principle.</p>

5 Environment

Guiding question	<i>Have you identified and met broader environmental objectives, while ensuring services are cost reflective and affordable today and in the future?</i>	
Self-assessed grade	Standard	Our pricing proposal builds on our strong track record of compliance with applicable environmental standards while addressing our community's expectations about sustainability.
Future focus areas	We are further developing our approach to climate change adaptation to protect our assets and operations from the risks of climate change, while integrating climate modelling into decision-making.	
Customer summary	The environment and sustainability are important to our customers and community. They want us to focus on meeting our environmental obligations efficiently, and to reduce our carbon emissions while keeping services affordable.	
Relationship with other principles	<ul style="list-style-type: none"> • Principle 2 – Customer engagement (including how we engage with our customers on the environment) • Principle 3 – Customer outcomes (including customer preferences on the environment) • Principle 7 – Robust costs (including how we meet environmental requirements at an efficient cost) 	

Identify environmental outcomes

Expectations		Summary response
Standard	<i>Meet all regulatory requirements, including environmental requirements, at an efficient cost.</i>	<p>Our Environmental Management Plan (EMP) provides a framework for meeting our Environment Policy commitments. It ensures we are effectively managing our environmental risks and meeting directions and obligations. The appendix of the plan identifies key measures, targets and actions to ensure we meet compliance obligations. Our Environmental Management System (EMS) ensures we deliver on the framework the EMP sets out. The EMS ensures all our activities are fully integrated, co-ordinated and reviewed, so we can minimise our environmental footprint and deliver positive environmental outcomes. Operational audits set out our compliance and performance against the requirements of our Operating Licence Reporting Manual (including environmental compliance).</p> <p>Our Environmental Policy governs our approach to managing impacts on the environment. You can see it on our website here.</p>
	<i>Follow government directions and regulatory obligations.</i>	The Robust Costs principle includes further details on how we meet our environmental requirements at an efficient cost.
	<i>Set environmental outcomes that relate to the provision of regulated services, consistent with customer preferences, community views and waterway quality guidelines.</i>	<p>Our Sustainability Strategy outlines our objectives across a range of social, environmental, economic and governance outcomes. Objectives included in the strategy reflect customer and community preferences.</p> <p>We've developed a set of customer outcomes based on everything we've heard from over 15,000 customers since 2018 (refer to principle three – customer outcomes).</p>

		<p>Customer outcomes developed for this pricing proposal include an 'Environmentally Sustainable' customer outcome reflecting our community's preferences to care for the environment now and for future generations. During stage four, our customers and community confirmed that our proposed outcomes reflected their priorities (see section 2.1.1 of our proposal).</p> <p>This outcome is underpinned by two performance measures that have been tested and validated with our customers during stage four of engagement.</p>
	<p><i>Consider long-term environmental costs/benefits and bill impacts before proposing expenditures.</i></p>	<p>As set out in our Sustainability Strategy, environmental sustainability considerations are embedded in our decision-making and processes across our planning and capital works programs, procurement practices and our operations, where feasible, prudent and efficient.</p> <p>For major proposed projects and strategies, such as the LHWSP and the Hunter River Estuary Wastewater Masterplan, we have undertaken a detailed options analysis of multiple portfolios, considering the economic, social and environmental costs and benefits of each portfolio, and estimated bill impacts.</p> <p>We consider the costs and benefits of investments as part of our business case processes.</p> <p>Our Community Panel also considered bill impacts when making a recommendation on the topic of carbon emissions reduction as part of our stage three of engagement.</p>
	<p><i>Propose cost-efficient expenditure to manage and adapt to the impacts of climate change.</i></p>	<p>With many of our assets susceptible to the impacts of a changing climate, Hunter Water has a proactive, adaptable response to climate change. We have engaged extensively with our customers on reducing our carbon footprint to net zero and taking advantage of the transition to renewable energy. (see principle two and section one of our proposal for more details)</p> <p>Our approach to managing and adapting to the impacts of climate change is illustrated in our Sustainability Strategy and our Climate Change Adaptation Plan.</p>
Advanced	<p><i>Actively engage with other regulators, evaluate prospective government directions and obligations from the perspective of promoting the customer's long-term interests.</i></p>	<p>We work closely with the EPA and other regulators to ensure positive outcomes for the environment and our customers.</p> <p>Examples of this include:</p> <ul style="list-style-type: none"> • Lower Hunter Water Security Plan • Hunter River Estuary Wastewater Masterplan • Recent engagement with regulators and customers on changes to our Burwood Beach Wastewater Treatment Works <p>Lake Macquarie effects-based assessment – working with the EPA on a science-based approach to model and assess the risks and impacts of the urban stormwater system and wastewater overflows from the wastewater network on Lake Macquarie</p>
	<p><i>Incorporate climate change into forecasting models and undertake climate change adaptation and mitigation actions.</i></p>	<p>Our annual climate review and our climate change adaptation plan are the basis for managing the impacts of climate across the business over the long- run.</p> <p>As part of our commitment to implement recommendations from our deliberative Community Panel, we'll reduce our operational emissions by 80% (based on 2020-21 levels) by 2030. This is demonstrated in our case study 'reducing emissions and behind the meter solar'. Our Net Zero Roadmap provides a pathway to reduce our emissions to achieve this target.</p> <p>We incorporate climate modelling in our forecasting through</p> <ul style="list-style-type: none"> • Improved planning for drought. New reliability criteria define the required size of climate-independent sources in our Drought Response Plan to meet essential human needs in the event of an ongoing and severe drought. • Sensitivity testing on the supply of rainfall-dependent sources under various climate scenarios (NARClIM model inputs) • Sensitivity testing on water demand under various climate scenarios

		<p>We're committed to increasing our resilience to climate change by identifying and implementing adaptation measures to respond to future uncertainties. Our adaptation plan sets out priorities and associated actions that will be taken in the short to medium term to become more resilient to climate change. The priorities are to:</p> <ul style="list-style-type: none"> • build organisational capability and capacity to consider and respond to climate change impact • identify and assess climate change risks and opportunities • build the resilience of our business operations and assets • partner with communities, governments and businesses to act • establish a set of robust and trusted metrics.
Leading	<i>Demonstrate step change improvements in environmental outcomes, revealed through engagement, which prioritise delivery of environmental outcomes that customers and the community value most.</i>	<p>Our new Sustainability Strategy identifies the most material issues for our business and the areas in which we are looking to make step-change improvements in future. One of the focus areas is our response to climate change. The community panel supported extending the use of renewable energy for the proposed Belmont Desalination Plant to reduce our greenhouse gas emissions.</p>

Environmental outcome performance measures

Expectations		Summary response
Standard	<i>Environmental outcomes have targets that are measurable, have intermediate steps and milestones built in (as needed).</i>	<p>Our 'environmentally sustainable' customer outcome includes two performance measures with annual targets:</p> <ul style="list-style-type: none"> • Percentage reduction in carbon dioxide equivalent emissions compared to a 2020-21 baseline • Percentage of Beachwatch sites graded as good or unaffected by our activities <p>Our Sustainability Strategy also includes objectives with 2030 targets – these align with our 'Be environmentally sustainable' outcome.</p> <p>Our EMP includes targets and actions across the business to address improved environmental and sustainability outcomes and ensure our environmental compliance obligations are met.</p>
Advanced	<i>Work and partner with community groups, other businesses, stakeholders and government, to propose and deliver outcomes that meet regulatory requirements, promote customer value and provide environmental benefits.</i>	<p>Our Customer, Consumer and Community Consultation Procedure describes the methods that are employed to understand our customer, consumer and community needs, interests and preferences. It's available on our website here.</p> <p>Please also see our response to similar requirements for the Community principle, above.</p>

Leading	<i>Demonstrate innovative approaches which promote customer value and maximise environmental benefits.</i>	<p>We will continue to scan for and take advantage of opportunities to innovate to maximise value to our customers, community and the environment.</p> <p>Adapting to and mitigating the impacts of climate change is a focus for us in the future. During stage three of engagement, our Community Panel recommended that we actively investigate new technologies to reduce our carbon emissions. We have adopted this recommendation and agreed to continue to investigate innovative new technologies.</p>
Accountability for environmental outcomes		
Expectations		Summary response
Standard	<i>Clear mechanisms ensure the business is accountable for delivering environmental outcomes.</i>	<p>Our 'environmentally sustainable' customer outcome is supported by two distinct performance measures. We will be held accountable for our performance in the ways described in the Customer Outcomes and Community principles, above and in Chapter 2 of our pricing proposal. Progress against actions in our EMP are reported to the Executive Management Team every quarter and these updates will contribute to annual public reporting on environment and sustainability performance.</p> <p>An annual review of the EMP actions will be undertaken at the time of reporting, and the plan will be reviewed with key stakeholders and updated to reflect any changes in actions and priorities as changes occur.</p> <p>We will regularly review that we're on track to meet the objectives set out in our Sustainability Strategy.</p>
Advanced	<i>Mechanisms include steps the business will take if not meeting targets.</i>	<p>We will conduct regular internal reporting to track our progress in meeting our performance measure targets and EMP objectives.</p> <p>Our proposed Community Committee will review and comment on our performance in meeting our customer outcomes, which will act as an additional feedback loop to ensure we remain on track to meet our targets.</p>

6 Choice of services

Guiding question		Are you providing opportunities to reflect customers' varied preferences for the tariffs and additional services they are willing to pay for?
Self-assessed grade		Standard We explored but have not proposed any mass-market tariff options or differentiated service offerings for residential customers. We have not had strong interest from residential customers for innovative tariffs and products above our licence obligations. We continue to engage with non-residential customers on bespoke service offerings where these are cost-efficient.
Future focus areas		Develop innovative ideas and engage with our residential and non-residential customers on their preferences for varied tariffs and services.
Customer summary		Our residential customers are currently concerned with cost-of-living pressures and as such, unregulated add-ons are not a priority right now. We continue to engage with our non-residential customers on arrangements to meet their varied service needs. These are pursued where it is cost-efficient and in the long-term interests of our customers.
Relationship with other principles		<ul style="list-style-type: none"> Principle 2 – Customer engagement (including how we engage with our customers on their preferences for service levels).
Consider differentiated service offerings		
Expectations		Summary response
Standard	<i>No requirements at Standard.</i>	
Advanced	<i>Engage with customers on opportunities for differentiated service offerings, including standard add-on mass market tariff options (e.g. carbon offsets), where it is cost efficient to do so.</i>	To develop our pricing proposal, we engaged broadly with our customers across five stages. Customers did not indicate that differentiated service offerings are a priority or expectation during any stage of engagement. We considered mass-market tariff options and ways of providing differentiated service offerings but have not proposed any in this pricing proposal.
	<i>Work with government and developers in growth planning to offer additional services and supply options to new developments.</i>	Some examples of where we have worked with government and developers include: <ul style="list-style-type: none"> Executed a Memorandum of Understanding (MOU) with the City of Newcastle and the Newcastle Jockey Club to investigate stormwater irrigation options for the Newcastle Jockey Club, as well as at local parks and sporting fields. Executed an MOU with the Port of Newcastle and infrastructure investor coNEXA for establishing the water and wastewater supply for hydrogen production as a new industry in Newcastle. Executed a confidentiality agreement with Altogether Huntlee, a WIC Licensee in our area of operation, to investigate acceptance of excess recycled water into Hunter Water's network within the Hunter Valley. We continue to work with local councils, developers and the NSW Government to explore the delivery of Integrated Water Cycle Management (IWCM) and new supply opportunities to new developments.
Leading	<i>Offer customers innovative tariffs and products above licence obligations, consistent with customers' preferences if there is evidence of customer demand.</i>	To date, we have not had strong interest from residential customers for innovative tariffs and products above our licence obligations. However, we will continue to engage with non-residential customers on bespoke service offerings where these are cost-efficient.

Cost principles

7 Robust costs

Guiding question		<i>How well does your proposal provide quantitative evidence that you will deliver the outcomes preferred by customers at the lowest sustainable cost?</i>
Self-assessed grade		Advanced Our proposed expenditure reflects the efficient costs of delivering our services consistent with customer preferences and customer outcome performance targets while maintaining compliance with our regulatory requirements. We have mature investment assurance processes in place to ensure all investment is prudent. Our investment approach minimises net lifecycle costs, considering capex and opex trade-offs.
Future focus areas		<ul style="list-style-type: none"> • Benchmarking operating and capital expenditure and measures of customer value against industry benchmarks • Comprehensive consideration of potential cost saving innovations in developing proposed expenditure allowances • Further development of predictive modelling, where benefits are apparent
Customer summary		This is a focus principle . Our customers expect us to be efficient and to deliver services in a way that minimises costs now and into the future. Affordability and cost-of-living pressures are currently of concern to our customers, and therefore, delivering their preferred outcomes at the lowest sustainable cost is very important to them.
Relationship with other principles		<ul style="list-style-type: none"> • Principle 1 – Customer centricity – how well have you integrated customers’ needs and preferences into the planning and delivery of services, over the near and long term? • Principle 3 – Customer outcomes – our proposed expenditure reflects our customer preferences on outcomes, service levels and projects. • Principle 5 – Our proposed expenditure efficiently meets our environmental obligations now and in the future. • Principle 8 – Our proposed expenditure efficiently balances risk and long-term performance. • Principle 9 – Our ambitious efficiency factor is applied to our efficient cost base
Justify proposed expenditure		
Expectations		Summary response
Standard	<i>Proposed operating expenditure (opex) is consistent with past expenditure and clearly explains any step changes or trends.</i>	We have adopted IPART’s base-trend-step approach for operating expenditure. We have ensured our base operating expenditure is efficient and have clearly explained the prudence of any proposed expenditure increases through steps or trends. Our proposed step changes are supported by evidence from business cases, long-term investment plans, or other evidence as justification. Our application of trends is supported by modelling and data that justify they are appropriate.
	<i>Proposed capital expenditure (capex):</i> – is clearly explained – identifies baselines for recurrent expenditure and provides justification for any changes it proposes over time – for large capital projects with a clear scope is supported by cost-benefit analysis considering alternative options.	Our proposed capital expenditure aligns with our suite of investment plans and is subject to our robust and mature investment governance and assurance processes, including Gateway approvals. All investment items require business cases that clearly articulate the need for investment and contain options analysis including cost-benefit analysis or lifecycle cost analysis. Our mature investment prioritization and asset creation processes ensure that all forecasts are justified, evidence-based and deliverable. We’ve undertaken a targeted cost-benefit analysis to consider alternative options for large capital projects, such as the Belmont desalination plant. You can read more about our cost-benefit approach in our LHWSP Portfolio Analysis Summary Report .

Advanced	<p><i>Changes in expenditure are supported by quantitative evidence which demonstrates how it promotes customer value.</i></p> <p><i>(e.g., in proposing step changes for opex, and justification in business cases for large capital projects)</i></p>	<p>We have business cases and/or investment plans that support our capital investments and step changes in operating expenditure. These business cases and/or investment plans assess the costs and benefits of options to achieve required service outcomes and demonstrate that the proposed expenditure promotes customer value by achieving required outcomes at least net cost or greatest net benefit over the long-term.</p> <p>Targeted service outcomes reflect customer preferences (as revealed through customer engagement) and regulatory requirements, including our Operating Licence.</p> <p>See assessment against principles 1 and 3 for an explanation of how customer preferences are reflected in proposed service levels and outcomes (and hence expenditure to efficiently achieve these levels/outcomes).</p> <p>See assessment against principle 8 for an explanation of how Hunter Water weighs up the benefits and risks to customers of investment decisions and how these decisions are consistent with delivering long-term asset and service performance.</p> <p>See the assessment against principle 9 for an explanation of Hunter Water's cost efficiency targets and strategy.</p>
Leading	<p><i>Proposes opex and capex that maximises customer value, supported by modelling which shows it is below industry benchmarks.</i></p>	<p>We don't consider ourselves leading in this area yet, however, we have set a challenging efficiency target (relative to industry and economy-wide historical productivity gains), and benchmark well against industry peers, but we do not have modelling to show our proposed expenditure is <i>below</i> industry benchmarks across <i>all</i> elements of our operations.</p> <p>Our proposed expenditure aligns with our customer's preferences and our customer outcome performance targets deliver improvements to customer value in the areas our customers have told us they value most. You can read more about our targeted improvements to customer value in section 2.2 of our pricing proposal.</p>

Optimise between opex and capex

Expectations		Summary response
Standard	<p><i>Demonstrates consideration has been given to opex and capex trade-offs.</i></p>	<p>Our business cases and investment plans consider opex/capex trade-offs through the evaluation of the lifecycle costs of options (including non-capital solutions).</p> <p>Our approach to prioritisation centred on the customer bill impacts of each investment program or expenditure driver, recognising the different impacts on customer bills of capital and operating expenditure and the trade-offs between these.</p> <p>We have not deprioritised expenditure that will result in higher lifecycle costs for customers – e.g. deferring capital expenditure that will result in inefficiently higher operating expenditure.</p>
Advanced	<p><i>Uses quantitative evidence to show that proposed opex and capex minimises net life-cycle costs.</i></p>	<p>Our Investment Plans and Asset Class Plans show the process for evaluating and managing opex and capex trade-offs.</p> <p>In our business cases and investment plans, various OPEX/CAPEX options are evaluated, with the preferred option being the one that achieves required service outcomes at the lowest net cost over the long-term (as demonstrated by NPV analysis or least cost of options over the long-term).</p> <p>Options are evaluated at an outcome or benefit level (e.g. various asset maintenance programs compared to replacement of asset classes), rather than at the individual asset level.</p> <p>See the assessment against principle 9 for an explanation of Hunter Water's cost efficiency targets and strategy.</p>

Leading	<i>Takes into account the potential and likelihood for cost saving innovations when proposing a balance of opex and capex.</i>	We do some predictive modelling related to water main breaks. We plan to roll this out further where it makes sense (e.g. predictability about pumps).
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Accountability for expenditure outcomes

Expectations		Summary response
Standard	<i>Expenditure performance targets have been identified that maintain compliance with licence conditions, other regulatory requirements, and are consistent with customer preferences</i>	<p>Our proposed expenditure allowances reflect the efficient costs of delivering services consistent with customer preferences while maintaining compliance with its licence conditions and other regulatory requirements.</p> <p>We explain our performance against expenditure allowances for capital expenditure and operating expenditure in chapters 4 and 5 of our pricing proposal. See assessment against principle 3 for an explanation of how Hunter Water’s pricing proposal links customer preferences to proposed outcomes, service levels and projects.</p> <p>See assessment against principles 1 and 3 for an explanation of how customer preferences are reflected in proposed service levels and outcomes (and hence reflected in expenditure to achieve these levels/outcomes efficiently).</p> <p>See assessment against principle 5 for an explanation of how the proposal meets environmental objectives (including regulatory requirements).</p>
Advanced	<i>Demonstrates how performance targets have been developed through customer engagement and deliver customer value.</i>	See assessment against principle 3 for an explanation of how Hunter Water’s pricing proposal links customer preferences to proposed outcomes, service levels and projects.
Leading	<i>Has adopted and implemented robust processes to ensure that forecasts are justified, evidence-based and deliverable.</i>	<p>Our proposed base-step-trend approach to forecasting operating expenditure ensures that the ‘baseline’ opex is efficient. The trends and steps that we have proposed are supported by evidence that justifies they are appropriate. The trends and steps from this baseline are efficient and justified.</p> <p>Our forecasts are informed by robust and comprehensive investment planning processes and, where applicable, underpinned by business cases and / or investment plans. Our investment planning, prioritisation, and asset creation processes ensure that all forecasts are justified, evidence-based and deliverable.</p>

8 Balance risk and long-term performance

Guiding question	<i>How well do you weigh up the benefits and risks to customers of investment decisions, and how consistent are they with delivering long-term asset and service performance?</i>	
Self-assessed grade	Advanced	Our investment and asset management decisions balance the risks to customers and the business regarding long-term asset and service performance. Our proposal is based on long-term investment plans that cover all key outcomes and service areas, indicating how we will manage long-term risks. We accept more risk where it benefits customers, and we have resilience to absorb cost impacts arising from changes in our operating environment.
Future focus areas	Apply more comprehensive probabilistic risk analysis in investment decision making and asset management.	
Customer summary	This is a focus principle. The community told us that ensuring future water security, providing a reliable efficient service by maintaining and improving infrastructure, and fair and affordable bills are amongst their top five expectations. Our long-term performance is important to our customers. Prioritisation has been a major focus in developing our proposal. We think we have struck the right balance between risk, service performance, and affordability.	
Relationship with other principles	<ul style="list-style-type: none"> Principle 7 – Robust costs – our proposal provides quantitative evidence that we will deliver the outcomes preferred by customers at the lowest sustainable cost 	

Understand long-term performance

Expectations		Summary response
Standard	<i>Investment and asset management decisions demonstrate a balancing of the risks and benefits to the customer and business in terms of long-term asset and service performance</i>	<p>We have a Board-approved risk appetite statement (RAS) that drives investment decisions and asset management strategies. Every investment has a quantified risk value, which is compared to Hunter Water's risk appetite.</p> <p>This ensures that our investment and asset management decisions are consistent with an optimal level of risk (in terms of potential impacts on Hunter Water's costs and service performance).</p> <p>Our Business Cases and Investment Plans consider risk – including, for example, the potential impacts of changes to demand, regulation, and the climate on the costs and benefits (and hence value) of options. An example of us undertaking investment and asset management decisions whilst balancing risk and benefits over the long-term is illustrated in our approach to the LHWSP.</p> <p>We've taken a dedicated approach to balancing risk and long-term performance as part of our proposal through a rigorous prioritisation process to keep proposed expenditure allowances as low as possible. Chapter 3 of our pricing proposal provides further detail on our approach. In considering the level of investment to propose for each outcome, we considered what this would mean for risk, customer outcomes, and service performance over different timeframes.</p>
Advanced		
Leading	<i>Provides additional evidence optimising this balance of risks, using best practice, probabilistic investment decision and asset management systems.</i>	<p>We optimise the balance of risk using best practice probabilistic analysis to inform investment and asset management decisions, including, for example:</p> <ul style="list-style-type: none"> to inform investment in and management of wastewater networks (intelligent networks) to inform investment in water supply (in developing the Lower Hunter Water Security Plan) in developing the Hunter River Estuary Master Plan in developing the water quality program for bulk water. <p>Hunter Water will strive to improve and expand the application of probabilistic modelling in future periods.</p>

Manage risks and reprioritise

Expectations		Summary response
Standard	<i>Demonstrates all cost drivers and has mechanisms to monitor cost risks and reprioritise expenditures and asset management strategies as necessary.</i>	<p>We have an investment prioritisation framework and prioritise regularly, which ensures we can reprioritise expenditure and asset management strategies across our portfolio of assets as necessary.</p> <p>We recognise that IPART provides us with a 'funding envelope' through regulated prices and that it is our responsibility to reprioritise expenditure within this envelope if required over the price determination period. We conduct horizon scans to assess potential or emerging external risks and manage risk at a portfolio level, enabling us to reprioritise expenditure on a more detailed level when required.</p>
	<i>Outlines its approach to manage long-term risks, including climate change</i>	<p>As outlined above, our long-term strategic plans, investment decisions and asset management systems consider costs, benefits, risks and probabilistic analysis over the long-term, including climate change impacts (e.g., the LHWSP).</p> <p>Our Board's Audit and Risk Committee will oversee and endorse the (new) climate-related financial disclosures and the annual climate risk analysis and treatment plan. Climate-related risks are analysed, and management plans are developed for those which exceed the Board's risk appetite.</p> <p>Our enterprise-wide strategic planning considers climate change risk across the business. The LHWSP acknowledges our increasingly uncertain climate future. The plan adopted a new approach to water security planning that meets the community's water supply needs under all climatic conditions, including minimum supply requirements during a long and severe drought, and adopts a drought response plan that transitions to rainfall-independent water sources as storage levels fall. The water supply modelling that informed the LHWSP was assessed quantitatively using a high emissions scenario (RCP 8.5) from NARClIM 1.5 and took the highest and lowest rainfall scenarios from the six available models to assess sensitivity.</p> <p>Our Enterprise Risk Management (ERM) framework is used to identify, assess and manage all corporate risks, including those posed by climate change. Monitoring and reporting on climate-related risks is provided on a quarterly basis to the Audit and Risk Committee and annually to the Board.</p> <p>Our asset creation framework includes a climate risk assessment and mitigation process for all capital works projects. This includes a preliminary screening process to identify whether climate risks are present, followed by a risk assessment, as required. Full climate change risk assessments are required for significant investments or projects that are likely to be most impacted by climate change.</p> <p>We are currently developing risk mapping capability across our asset base. This will provide financial risk information to inform management plans and financial disclosures.</p> <p>We track metrics associated with climate-related risks, and our Sustainability Strategy outlines additional metrics related to physical risk exposures and investments in climate adaptation.</p> <p>See also assessment against principle 7 (robust costs) for how Hunter Water considers the opex/capex trade-offs and risks of potential options over the long-term to minimise lifecycle costs.</p>
Advanced	<i>Proposal commits to accept more risk where it has benefits for customers</i>	<p>This pricing proposal requires Hunter Water to bear cost recovery risk to ensure prices are kept as low as possible, given customers' concerns about affordability and cost of living.</p> <p>We have been through a rigorous prioritisation process to keep proposed expenditure allowances as low as possible.</p> <p>Our proposed expenditure allowances expose Hunter Water to some cost recovery risk while benefitting customers through bills that are as low as possible without compromising service outcomes.</p> <p>We think avoiding within-period true-ups (revenue caps, annual DVAM, or WACC true-up) is in the customer's best interests, and we are willing to take on these financial risks in the short- to medium-term.</p>
	<i>Demonstrates it has organisational resilience to absorb cost impacts arising from changes in the operating environment.</i>	<p>We manage risk at a portfolio level and reprioritise expenditure as required (see above).</p> <p>Our organisational resilience in absorbing cost impacts arising from changes in our operating environment is demonstrated by our performance in recent years through management of COVID-19 impacts, above-CPI construction market cost increases, changing customer and regulatory expectations, and climate variability – including east coast low weather patterns. During this period, we have continued to deliver services to the required standards and operated broadly within our IPART funding envelope, while remaining financeable.</p>

Leading

Proposal includes capability and strategies to optimise and manage the value of risk factored into its forecasts and proposals.

Our proposed expenditure allowances for the 2025-30 pricing period reflect our robust evaluation of risk. We will continue to improve the integration of our quantified key risks (including probability and consequence) and a portfolio level to inform our investment and asset management decisions.

9 Commitment to improve value

Guiding question	<i>How much ambition do you show in your cost efficiency targets and what steps have you taken to demonstrate commitment to deliver on your promises?</i>	
Self-assessed grade	Advanced	Our published cost efficiency strategy demonstrates our strong commitment to improving value for our customers – it highlights our recent performance, identifies a credible plan for achieving the targets, and how we can be held accountable. We are proposing an ambitious efficiency target above measured economy-wide productivity performance.
Future focus areas	<ul style="list-style-type: none"> We will consider further benchmarking of our costs against the industry. We will consider the potential for achieving significant step changes in cost efficiencies below historical costs and industry cost benchmarks. 	
Customer summary	This is a focus principle . We heard that cost of living pressures are of real concern to our customers. They expect Hunter Water to be efficient and to deliver its services at the lowest cost to customers, now and in the future. Delivering outcomes preferred by customers at the lowest sustainable cost is important to our customers.	
Relationship with other principles	<ul style="list-style-type: none"> Principle 7 – Our efficiency target applies to our efficient base expenditure and step changes set out in the robust cost principle. Principle 8 – Our efficiency target efficiently balances the benefits and risks for customers from our long-term performance. 	

Develop cost efficiency strategy

Expectations		Summary response
Standard	<p><i>The business has a management approved and externally published cost efficiency strategy that includes:</i></p> <ul style="list-style-type: none"> <i>– an annual ‘efficiency factor across opex and capex</i> <i>– productivity improvements achieved and proposed, which highlight that the business is adopting innovations</i> <i>– how it has performed against current period targets.</i> 	<p>We have a Board-approved and published cost efficiency strategy that includes:</p> <ul style="list-style-type: none"> an annual, compounding efficiency factor applied across operating and capital expenditure productivity improvements achieved in the current pricing period and proposed for the 2025 -2030 pricing period, which highlights the business is adopting innovations Information on how we have performed against current period operating and capital expenditure allowances, and an explanation as to why our actual expenditure over the current period is efficient
Advanced	<p><i>Proposal is informed by cost efficiency strategy, justifies an ambitious annual expenditure ‘efficiency factor’ and explains reasons for its current performance.</i></p>	<ul style="list-style-type: none"> Our proposed operating and capital expenditure allowances for the 2025-30 pricing period reflect our cost efficiency strategy, including an ambitious efficiency factor of 1 per cent per year, applied across both operating and capital expenditure. Our cost efficiency strategy explains our current performance against IPART expenditure allowances Our cost efficiency factor reflects that our current baseline expenditure is efficient – as demonstrated by the measures we have applied to ensure efficiency over the current period and our actual expenditure relative to IPART’s allowances for this period. Over the current period, our actual operating and capital expenditures have been broadly consistent with IPART allowances and met required service levels and outcomes.

Leading	<i>Proposes efficiency targets which would lead to a significant step change in cost efficiencies below historical costs and industry cost benchmarks.</i>	Our proposed operating and capital expenditure incorporates an annual ongoing efficiency factor of 1% per year that is greater than the 40-year average annual MFP improvements in the market sector of the Australian economy of 0.8% (IPART's previous economy-wide benchmark that it applied to the water industry).
Accountability for cost efficiency outcomes		
Standard	<i>Has clear mechanisms to ensure the business is accountable for achieving its proposed cost efficiency outcomes.</i>	<ul style="list-style-type: none"> • We will be held financially accountable for achieving proposed cost efficiency outcomes, as these outcomes are reflected in our proposed expenditure allowances. • We will be held accountable for ensuring we deliver appropriate services and that cost reductions are genuine efficiency gains rather than coming at the expense of unjustified reductions in service levels/outcomes through a range of mechanisms including operating licence audits, environmental regulatory performance, and external reporting requirements. • We will publicly report on our cost-efficiency performance, to hold ourselves publicly accountable for achieving proposed cost efficiency outcomes. We will also report our progress and performance to the Community Committee described under principles 2 and 3.

10 Equitable & efficient cost recovery

Guiding question	Are your proposed tariffs efficient and equitable, and do they appropriately share risks between the business and your customers?	
Self-assessed grade	Advanced	<p>We are proposing full cost recovery of our revenue requirement. We have focused on reducing expenditure to achieve a bill impact and outcome mix that we consider in customers' long-term interests, rather than deferring or forgoing cost recovery which may send an inefficient price signal, or unduly burden future generations.</p> <p>The prices we propose are cost-reflective and build on the efficient and equitable price structures developed over past price reviews. We have based our water usage price on the long run marginal cost for water (LRMC) and it is supported by customer preferences elicited through engagement.</p>
Future focus areas	We don't have robust enough information to justify proposing new, different sewer discharge factors for houses and apartments. We hope to undertake an end-use study through the next pricing period to refine our understanding of how residential customers in different property types use water, which will help us to validate or modify the assumed sewer discharge factors.	
Customer summary	<p>We've engaged directly with our customers on pricing structures as part of our engagement program. Our customers have told us that cost-of-living pressures are making it hard for them to make ends meet. They've told us smoothing in any increases to bills is their preference.</p> <p>Customers supported putting most of the water price increase in the variable usage charge, rather than the fixed charge.</p> <p>Despite reasonable customer support, we did not propose residential wastewater usage charges, as we do not consider them to be equitable or efficient.</p>	
Relationship with other principles	<ul style="list-style-type: none"> • Principle 1 – Customer centricity (where customer preferences on price structures incl. drought pricing are at the heart of what we do) • Principle 7 – Robust costs (how efficient price signals promote efficient investment in water recycling, water conservation & leakage management) • Principle 8 – Balance risk and long-term performance (how our proposed form of price control commits Hunter Water to accept risk where it has benefits to customers, and where Hunter Water has organisation resilience to absorb cost or revenue impacts from changes in the operating environment within the regulatory period). 	

Propose cost-reflective prices

Expectations		Summary response
Standard	<p>Propose cost-reflective maximum prices for customers, with:</p> <ul style="list-style-type: none"> – modelling to justify tariffs over the next determination period – a balance of fixed and usage charges that takes into account the long run marginal cost (LRMC) of providing services. 	<p>Our proposed tariffs for our regulated water, wastewater, and stormwater services, when multiplied by forecast customer numbers and demand, recover the proposed revenue requirement: the revenue needed to ensure we can recover the cost of providing our regulated services over the pricing period.</p> <p>We have carefully considered how to fairly recover these costs from our customers in a way that balances:</p> <ul style="list-style-type: none"> • efficiency (providing pricing signals regarding the cost of supply, including during drought), consistent with <i>National Water Initiative Pricing Principles</i>; • horizontal equity (those customers that similarly benefit from services pay similar amounts for the services); • The views of customers on price structures (balancing fixed and variable costs, and price smoothing), elicited in stage four of our customer engagement program <p>In doing this we've had regard to:</p> <ul style="list-style-type: none"> • Cost allocation between our services, and between customer groups; • The LRMC of providing water services, and the efficiency benefits of signalling this cost through an increase to the water usage • The LRMC of providing wastewater services, and the efficiency benefits of signalling LRMC vs SRMC cost in postage stamp wastewater usage charges (through deemed usage allowance) – notwithstanding the challenges in LRMCs of providing wastewater services. • Customer preferences • Affordability and equity impacts from the balancing of potential fixed and usage charges;

		<ul style="list-style-type: none"> Targeted programs to manage affordability for households that may be vulnerable to an increase in the water usage charge.
Advanced	<p><i>Provides modelling to show that proposed prices:</i></p> <ul style="list-style-type: none"> are sustainable over time, and would avoid large future bill impacts have been informed by LRMC model estimates consider the impact of climate change on the level and structure of prices addressed 	<p>In setting the revenue requirement for each year of the regulatory period, we have considered opportunities to 'smooth' cost recovery across regulatory periods (e.g. use of longer regulatory asset lives to defer cost recovery into future periods), and within regulatory periods (e.g. standard NPV smoothing). We are concerned with ensuring our services remain affordable, but are not satisfied that deferring cost recovery into future regulatory periods through 'smoothing' long-term revenue recovery is in the long-term interests of customers or financeable given:</p> <ul style="list-style-type: none"> it may not signal the cost of providing services over the pricing period (including construction of the Belmont desalination plant) nor encourage customers to conserve water where this may promote sustainable water use, including cost-effective water conservation and recycling; may impact our ability to invest and deliver customer outcomes, and may lead to unjustified increases in prices in future periods given our long-term capital plan. <p>We have carefully considered the impacts of key uncertainties in our operating environment and implications for estimating the LRMC of water supply (including population growth and the impact of climate uncertainty on demand and water supply yield). You can see more details on how we've applied LRMC estimates in sections 8.3.3 and 8.4.5 of our proposal.</p> <p>We've also estimated bill impacts for the 2030-35 pricing period, based on indicative capital and operating expenditure forecasts for 2030-35. We are less certain about these forecasts; however, they have been crucial in helping us determine a prudent and efficient level of expenditure for 2025-30 that promotes customer's long-term interests. Refer to section 9.4 of our proposal for further details on this analysis.</p>
Leading	<p><i>Provides comprehensive modelling to support its proposed recovery of costs, including:</i></p> <ul style="list-style-type: none"> catchment level LRMC estimates where appropriate (to justify demand and supply side responses to delay augmentations or prioritise investments) longer-term pricing paths supported by long-term cost estimates. 	<p>We recognise the importance of understanding the relationship between costs and volumes (water demand/wastewater volumes) at an appropriate catchment level.² Even where there is postage stamp retail pricing, estimates of this relationship can be used to inform investment decisions (say where and when water recycling or conservation is most valuable in deferring augmentation) and wholesale /access pricing.³</p> <p>We have estimated the LRMC of wastewater treatment <i>by catchment</i>, which has informed our estimates of wastewater retail usage prices and will inform future investment decisions in water recycling, discussed in section 8.4.5 of our proposal.</p> <p>We have undertaken long-term modelling of prices as presented in section 9.4 of our proposal. This analysis supports long-term planning (including early identification of emerging affordability issues and optimising expenditure over time). It also provides a potential alternative to holding prices constant in nominal terms for "inter-period price movements" (where there is a delay in a new Determination).</p> <p>However, there are too many uncertainties impacting the cost of providing services including service levels (policy/regulatory and customer expectations), costs of meeting these service levels, and other modelling inputs (e.g. demand, connections, and the WACC) to forecast prices beyond the 5-year pricing period with the level of robustness required to reasonably and fairly charge customers.</p> <p>However, holding prices constant in nominal terms where there is a delay in a new Determination is unlikely to provide signals regarding the efficient cost of service delivery – particularly given our long-term capital plan. We consider that a CPI adjustment is a sensible alternative until a new Determination is made – given IPART acknowledges that a re-opener (considering all cost movements) is a resource intensive process "to be a last resort solution"⁴</p>
Justify within-period revenue adjustments		
Expectations	Summary response	

² Hunter Water has a single water catchment and multiple wastewater catchments.

³ IPART noted that establishing LRMC estimates to measure avoided costs "provide the appropriate signals for the efficient use of and investment in infrastructure over the long-run. LRMC estimates would therefore ideally underpin everything from usage prices, to wholesale and access prices, and to decisions about investment in all aspects of water supply, wastewater, recycled water and stormwater services". IPART, Review of pricing arrangements for recycled water and related services, Final Report, July 2019.

⁴ IPART, Handbook, p58.

<p>Standard</p>	<p><i>Provides a robust justification for any revenue adjustments, consistent with IPART's revenue hierarchy principles</i></p>	<p>We broadly support IPART's stated principle that utilities should seek to live within the "envelope of expenditure" set by IPART, to encourage businesses to "reprioritise their spending through the period as circumstances change."</p> <p>We are not proposing any within-period revenue adjustments, other than the drought price, noting there are opportunities to seek a letter of comfort and/or partial or full reopeners of a determination if there is a material change in costs or an event that materially affects our ability to deliver our services.</p> <p>This will provide price certainty to our customers.</p> <p>We have suggested the possibility of an in-period WACC cost of debt true-up being an appropriate mechanism for Hunter Water, IPART and stakeholders to consider depending on Hunter Water's financeability outlook at the time of, and reflecting the draft decisions proposed in IPART's draft determination.</p>
<p>Advanced</p>	<p><i>Justifies the appropriate form of price control that promotes the long-term interests of customers</i></p>	<p>We support the continuation of a price cap, with a DVAM (to manage potentially large variability in revenue given demand uncertainty and high usage price) that will adjust prices in the following pricing period. This will provide price certainty to our customers over the 5-year pricing period and distribute risk between us and customers appropriately.</p> <p>By proposing end-of-period adjustments where we can bear the short-term financeability implications, we can keep prices and bills predictable within the pricing period.</p> <p>During stage four of engagement, our customers told us they prefer smaller incremental increases in prices, rather than larger one-off increases. A price cap allows us to control the level of increase in price year to year. A revenue-cap approach could lead to volatility in price levels in response to yearly demand variances.</p> <p>You can read more about our proposed form of price control in section 10.2 of our proposal.</p>

Credibility principles

11 Delivering

Guiding question	<i>Can you provide assurance that you have the capability and commitment to deliver?</i>
Self-assessment summary	We are confident in our capability and commitment to deliver the investments and levels of service set out in our pricing proposal. We will regularly communicate our performance against key investments and performance targets to our customers. Our proposal has been subject to a robust assurance process and has been approved by our Board.
Future focus areas	We will continue to monitor and address emerging challenges, including current cost of living pressures and climate change.
Customer summary	Our customers and community expect us to deliver on the commitments we've made to them.
Relationship with other principles	This principle relates to how we will deliver on all aspects of our pricing proposal.
Expectations	Summary response
All levels	<p><i>Proposed expenditures and service outcomes can be delivered in the timeframe proposed.</i></p> <p>Excluding the Belmont Desalination Plant, our total capital investment is similar to the current pricing period, in which we have met investment commitments. In the current pricing period, we delivered our capital investment to within 2 per cent of the four-year determination allowance, despite challenges including the unprecedented COVID-19 pandemic, international market and supply chain disruptions, and La Niña wet weather events. We have made significant progress on the Belmont desalination major project, having awarded the construction contract to a capable and experienced Tier 1 contractor. This progress provides confidence and certainty that the project has the capacity and capability to be delivered within the 2025-30 pricing period.</p> <p>We have a long-standing track record of historical performance, which has earned us credibility with our customers and stakeholders. In chapter 5 of our pricing proposal, we provide information about the credibility of our capability, capacity, processes, market, and commitment to successfully deliver the investments and outcomes in our proposal.</p>
	<p><i>Sets out how progress against key investments and performance targets (both short- and long-term) will be regularly monitored and communicated to its customers.</i></p> <p>Our customers will receive regular updates on our progress against key investments and performance targets through:</p> <ul style="list-style-type: none"> • Our website, social media, e-newsletters and annually on customer bills • Establishment of a Community Committee to review our performance • Accountability mechanisms, including: <ul style="list-style-type: none"> ○ An outcome delivery incentive for leakage ○ Rebates for individual customers (including a newly proposed rebate for hot spot customers from 2030)
	<p><i>Plans for foreseeable future challenges, including strategies for how it will reprioritise and adapt as changes arise.</i></p> <p>A key ongoing challenge is balancing risk and long-term performance with affordability. We have engaged extensively with our customers and community to understand their preferences, particularly considering the current cost of living pressures that make it difficult for many to make ends meet.</p> <p>Supply chain shocks remain an ongoing risk for delivering our projects and we need to remain adaptive as market conditions evolve. As part of our proposal, we've challenged our ability to deliver (see section 4.2 of our proposal). We will continue to undertake horizon scans of emerging and potential risks, and manage risk at a portfolio level, enabling us to reprioritise expenditure on a more detailed level when required.</p> <p>We are focused on managing risks from a changing climate and promoting resilience. Our Climate Change Adaptation Plan is our blueprint for addressing the risks of climate change on our assets and operations. You can read more about our approach to managing climate risks in our Sustainability Strategy and in our response to the 'Environment' principle.</p> <p>In Chapter 3, we described how we are taking on more risk as a business, and the mechanisms we have in place to manage these risks including adapting our plans as required.</p>

<p><i>The proposal has been approved by the Board (or equivalent), who endorse that the proposal would best promote the long-term interests of its customers.</i></p>	<p>Our Board has been actively engaged in developing our pricing proposal from its early stages. Before providing their formal attestation, including that the pricing proposal would promote the long-term interests of customers, the Board considered what this concept means and how the pricing proposal could promote this.</p>
<p><i>The proposal has evidence of a robust assurance process to ensure the veracity of information provided to IPART.</i></p>	<p>A robust internal and external assurance process has been undertaken to ensure all information provided to IPART is accurate and complete. This included:</p> <ul style="list-style-type: none">• Checking our proposal against IPART's Water Regulation handbook.• Extensive internal review processes to review, challenge and validate the qualitative information provided in the proposal.• Both internal and external completeness and quality assurance reviews of the quantitative information provided to IPART.

12 Continual improvement

Guiding question		<i>Does the proposal identify shortcomings and areas for future improvement?</i>
Self-assessment summary		We are committed to continual improvement. Through our self-assessments, we have identified areas of 'future focus' that are areas we recognise we can improve on in future periods.
Future focus areas		As set out in the remaining 11 principles.
Customer summary		Continuous improvement is aligned with our customer's and community's expectations of Hunter Water.
Relationship with other principles		Continuous improvement is sought across all principles.
Expectations		Summary response
All levels	<i>Justified self-assessment</i>	<p>We demonstrate the credibility of our pricing proposal through realistic self-assessments against the 12 principles of the 3Cs framework. We have sought to be as transparent as possible, grading ourselves for each of the customer and cost principles (no grading rubric is provided for the credibility principles).</p> <p>To propose a grading for each of IPART's guiding principles, we held dedicated workshops and engaged in thorough debate and investigation. We based our focus principles on customer insights.</p> <p>Our Board has endorsed our proposed grading.</p>
	<i>Performance targets have been monitored and communicated to customers over the previous period, consistent with past regulatory proposals. You have justified and explained past performance to customers.</i>	Our pricing proposal sets out in detail our performance over the current pricing period. We provide our customers and community with substantial information on our website. This includes information on current projects and reports on our performance against water quality guidelines, dam safety standards, water conservation and operating licence compliance.
	<i>Demonstrates how experience and lessons from past determination period/s have been integrated into current and future/long-term strategies, where gaps remain, and how future plans will address these.</i>	<p>We are committed to drawing on lessons and feedback from past pricing periods and using this to improve future pricing proposals.</p> <p>A key example of this is estimating the long-run marginal cost (LRMC) of wastewater supply and the potential application of these estimates. This was highlighted during our last determination process, and since then we've estimated LRMC of wastewater treatment in each of our 19 wastewater catchments, using both the Average Incremental Cost (AIC) and Turvey methods. You can read more about our approach to estimating LRMC in section 8.4.5 of our proposal.</p>
	<i>Identifies any shortcomings in its proposals including its plans to address any shortfalls.</i>	<p>Throughout our self-assessments, we have identified areas of 'future focus' that are areas we recognise we can improve on in future periods. In several sections of our pricing proposal, we have transparently explained shortcomings, and our plans to address these. For example:</p> <ul style="list-style-type: none"> • Certainty in proposed expenditures for the 2030-35 pricing period • Under-representation of some 'difficult to reach' customer groups in our pricing proposal customer and community engagement process. • Available estimates of demand elasticity • Robustness of assumed sewer discharge factors • Sophistication of quantitative benchmarking