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Our Ref: HW2011-1081/3

Review of competitive neutrality policy and processes
 Independent Pricing and Regulatory Tribunal
 PO Box K35
 Haymarket Post Shop, Sydney NSW 1240

Dear Ms Donnelly

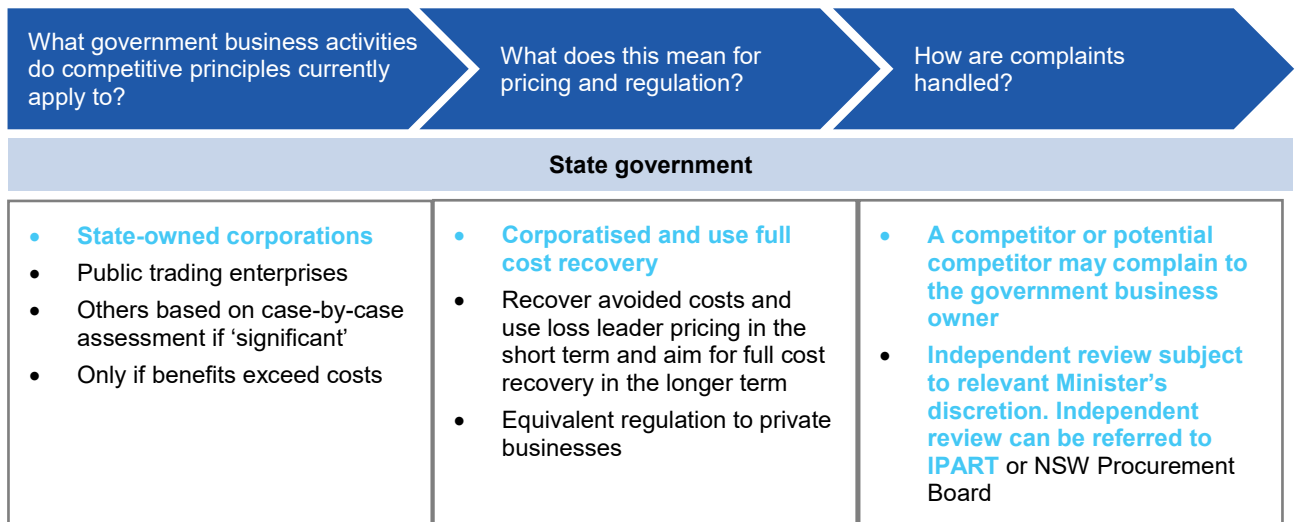
COMPETITIVE NEUTRALITY IN NSW – DRAFT REPORT

Thank you for the opportunity to participate in IPART’s review of NSW’s competitive neutrality policies and processes. IPART recommends improvements to a policy that was put in place in 1996 and last reviewed 20 years ago.

Hunter Water recognises the benefits of competition in driving greater customer choice, innovation and productivity. Competitive neutrality policies aim to ensure that government businesses that compete with the private sector do not have a competitive advantage over other businesses solely due to their government ownership.

The current NSW competitive neutrality framework applies to Hunter Water, as shown in bold text in the diagram below.

Figure 1 NSW competitive neutrality framework at a glance, as applied to Hunter Water



Source: Adapted from on IPART, May 2022, Competitive neutrality in NSW: Issues Paper, and NSW Treasury, January 2022. Policy Statement on the Application of Competitive Neutrality (TPP02-01).

As a State-owned Corporation (SOC) providing declared monopoly services, current processes provide robust safeguards against the misuse of competitive advantages, such as:

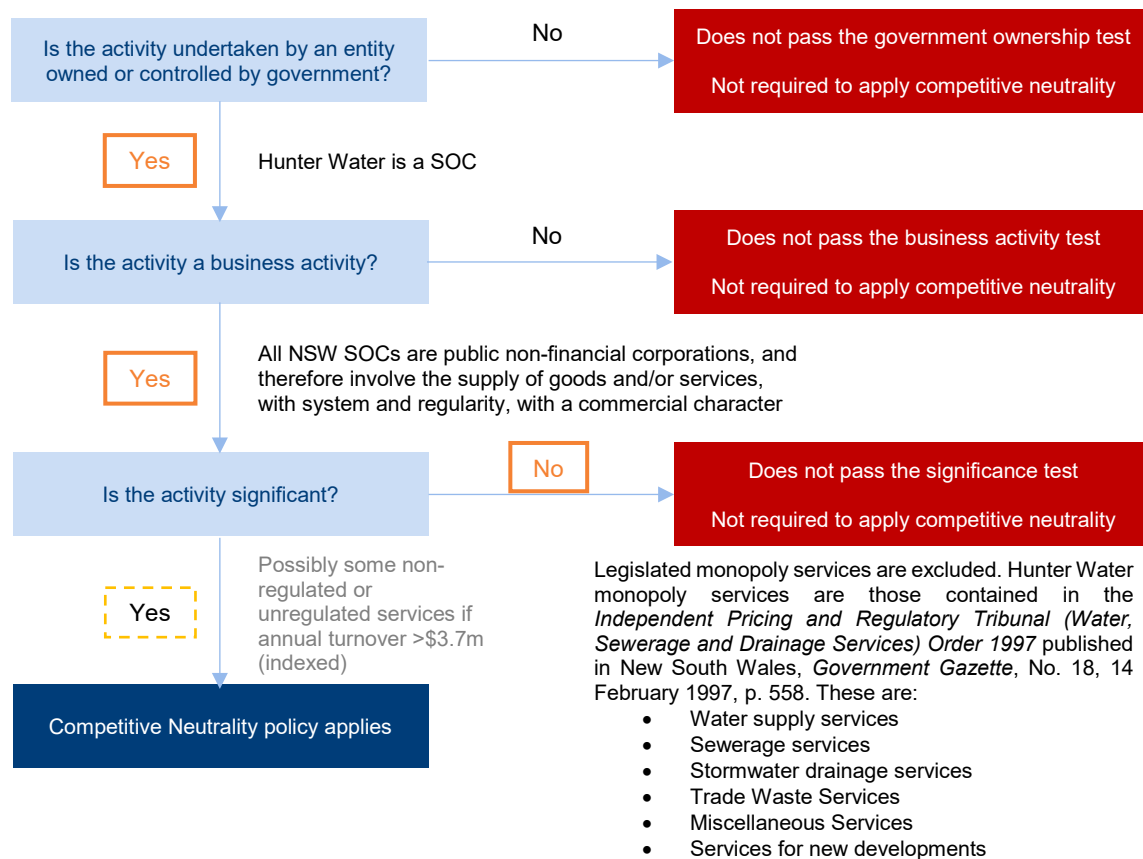
- Independent price-setting by IPART for retail services, and wholesale prices to competitors for on-selling
- Payment of tax equivalents and debt guarantee fee to NSW Treasury
- Explicit community service obligation payments for social programs such as pensioner rebates
- A non-exclusive operating licence that provides protections for competitors and potential competitors
- Regular independent performance monitoring by IPART and NSW Treasury.

Furthermore, reforms associated with the *Water Industry Competition Act 2006*, *Water Industry Competition Amendment Act 2021* and associated regulations are continuing to level the playing field.

IPART’s draft decision would establish a single document that covers both local and state government business activities, and that three tests be revised to improve clarity on scope of coverage.

Hunter Water supports IPART’s draft recommendations. We note that Hunter Water’s activities would seldom trigger a requirement to apply competitive neutrality as shown in the figure below.

Figure 2 Recommended tests to determine whether an activity must have competitive neutrality applied to it, as applied to Hunter Water



Source: Adapted from on IPART, December 2022, Competitive neutrality in NSW: Draft Report.

Hunter Water supports the recommendation that government agencies undertaking significant business activities be required to report basic information about competitive neutrality in their annual reports, subject to any commercial confidentiality restrictions. We welcome IPART’s suggestion of templates clearly setting out the minimum requirements.

Hunter Water commends IPART for the consultative manner in which it has conducted the review. We support the Tribunal’s transition plan, including the practical aids to implementation.

Should you have any queries in relation to this matter, please contact Emma Turner via



Yours faithfully

JENNIFER HAYES
Executive Manager Finance and Business Performance