

**REVIEW OF  
HUNTER WATER CORPORATION'S  
CUSTOMER CONTRACT**

**ISSUES PAPER**

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL  
OF NEW SOUTH WALES**



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**Discussion Paper DP57**

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### **Request for submissions**

The Tribunal invites interested parties to make submissions to all its investigations. Unless confidentiality is sought, the submissions are generally available for public inspection at its offices. They are also promptly placed on its website in PDF format, and remain there until 3-4 weeks after the release of an inquiry report. The Tribunal exercises its discretion not to exhibit any submissions based on their length or content (for example, if they contain material that is defamatory, offensive, or in breach of any law).

For reviews and determinations, the relevant agency is initially asked to submit their proposals. These proposals are available about 4-6 weeks before public submissions are due, to allow other stakeholders to consider them in preparing their submissions.

For this review, the submission from Hunter Water Corporation must be received no later than 29 November 2002. Submissions from other stakeholders must be received by 31 January 2003.

All submissions should be sent to:

Hunter Water Corporation Customer Contract Review  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

### **Confidentiality**

Stakeholders must make special reference to any issues in their submissions that require confidential treatment, and clearly mark all confidential parts. *However, it is important to note that confidentiality cannot be guaranteed as the Freedom of Information Act and section 22A of the Independent Pricing and Regulatory Tribunal Act provide measures for possible public access to certain documents.*

### **Public information about the Tribunal's activities**

Information about the role and current activities of the Tribunal, including copies of recent reports and submissions can be found on the Tribunal's web site at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

***Inquiries regarding this review should be directed to:***

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# TABLE OF CONTENTS

<b>1</b>	<b>INTRODUCTION</b>	<b>1</b>
<b>2</b>	<b>REVIEW PROCESS</b>	<b>3</b>
	2.1 How to make a submission	3
<b>3</b>	<b>REGULATORY FRAMEWORK</b>	<b>4</b>
	3.1 Operating Licence	4
	3.2 Customer Contract	4
	3.3 Customer Charter	5
	3.4 Statute and Common Law	6
<b>4</b>	<b>KEY ISSUES</b>	<b>7</b>
	4.1 Quality of water and sewer services	7
	4.2 Customer service levels	9
	4.3 Customer rights of redress	13
	4.4 Special obligations towards commercial and industrial customers	16
	4.5 Other obligations	16
	4.6 Customer obligations	17



## 1 INTRODUCTION

In July 2001, the Government asked the Independent Pricing and Regulatory Tribunal of New South Wales (the Tribunal) to review both the Operating Licence and the Customer Contract for Hunter Water Corporation (Hunter Water). The terms of reference for these reviews are provided in Attachment 1. In March 2002, the Tribunal recommended to the Minister for Energy the terms and conditions of Hunter Water's new Operating Licence. This 5-year Licence commenced on 1 July 2002 and will expire on 30 June 2007. The Tribunal must recommend terms for Hunter Water's new Customer Contract to the Minister for Energy before 1 July 2003.

Hunter Water's Operating Licence requires it to operate its systems in compliance with specific standards, targets and performance measures. Its Customer Contract defines the legal rights and obligations of both Hunter Water and its individual customers, unless a separate agreement between the parties has been signed. The Customer Contract sets out Hunter Water's obligation to provide certain services under specific terms and conditions, and the customer's right to receive those services provided they meet their obligations (including to pay their accounts by the due date).

Hunter Water's new Licence includes improved system performance standards and new performance indicators. The new Customer Contract will need to reflect these improved standards. In addition, there may be benefits in making the Customer Contract more consistent with Sydney Water Corporation's new Customer Contract, which has recently been approved.

Based on the Tribunal's recommendations, the Sydney Water Customer Contract was substantially changed, to make it simpler, more transparent and more streamlined. While there may be some operational differences between these two water utilities that need to be taken into account, both are monopoly businesses that provide essential services to consumers. Sydney Water's new Customer Contract is therefore an important starting point when considering Hunter Water's Customer Contract. The Sydney Water Customer Contract can be obtained from Sydney Water's website [www.sydneywater.com.au](http://www.sydneywater.com.au).

The purpose of this Issues Paper is to encourage stakeholders to provide input to the Customer Contract review. This paper outlines the review process the Tribunal will follow, provides background to Hunter Water's regulatory environment, and discusses the key issues on which the Tribunal particularly seeks comment from stakeholders.

Apart from its Customer Contract, Hunter Water has published a Customer Charter. This document sets out voluntary commitments that Hunter Water seeks to implement. Important policy issues considered in this paper are:

1. To what extent should the system performance commitments in the Charter be transferred into the Customer Contract to reflect Operating Licence requirements?
2. Are the water quality standards in the Operating Licence adequately explained in the Customer Contract?
3. Should the Customer Contract require Hunter Water to provide customers with timely response to customer issues and adequate notice of actions that impact them?

4. What procedures or information should the Customer Contract include for customers in financial hardship?
5. What complaint handling procedures and/or level of detail in dispute resolution processes should be included in the Customer Contract?
6. In what level of detail should Hunter Water's code of practice and procedure for debt and disconnection be specified in the Customer Contract?
7. Should the Hunter Water Customer Contract provide an adequate system of rebates where minimum service standards are not delivered? If not, in what circumstances are they not adequate? How could the role, scope or size of rebates be improved?
8. What, if any, special obligations towards commercial or industrial customers should be included in the Customer Contract?
9. To what extent should additional issues—such as availability of concessions, rights of customers with special health needs, the utility's repair policy and privacy—be included in the Customer Contract?



## 2 REVIEW PROCESS

As part of its review of the Customer Contract, the Tribunal will request a submission from Hunter Water and will conduct a public consultation process. The Tribunal received some comments relevant to the Customer Contract during the Operating Licence Review. These will be considered during this review. It now invites public responses to the issues raised in this paper and in Hunter Water's submission.

In February 2003, the Tribunal may hold a workshop to obtain stakeholder views on the Customer Contract. If a workshop is to be held, interested stakeholders will be advised of the details and format closer to the time.

The timetable for the review of the Customer Contract is as follows.

Action	Date
Issues paper released	September 2002
Hunter Water submission due	November 2002
Public submissions due	End January 2003
Workshop (if held)	February 2003
Final report to the Minister	May 2003

### 2.1 How to make a submission

Submissions must be made in writing, and must relate to the issues set out in this paper. There is no standard format. However, submissions longer than 15 pages should also be provided on computer disk in word processor, PDF or spreadsheet format.

Submissions must be received by the Tribunal by 31 January 2003, and should be sent to:

Hunter Water Corporation Customer Contract Review (Matter No. 02/95)  
Independent Pricing and Regulatory Tribunal of New South Wales  
PO Box Q290  
QVB Post Office NSW 1230

The Tribunal can also be contacted by email at [ipart@ipart.nsw.gov.au](mailto:ipart@ipart.nsw.gov.au)

Comments or inquiries about this review or the lodgement of submissions can be directed by telephone to Bob Burford (02) 9290 8408 or Julieanne Mahony (02) 9290 8402.

### 3 REGULATORY FRAMEWORK

The *Hunter Water Act 1991* (the Act) sets out the legislative framework for Hunter Water to provide water, sewerage and drainage (stormwater) services within its area of operations. Under the Act, Hunter Water is granted an Operating Licence that sets out the conditions under which it supplies these services. These conditions include the requirement to have a standard-form customer contract with its customers.

#### 3.1 Operating Licence

In March 2002, the Tribunal provided the Minister for Energy with recommendations to amend Hunter Water's Operating Licence. This amended licence included improved system-wide performance standards. These standards define the required performance of Hunter Water's water and sewerage systems as a whole—they do not relate specifically to the service delivered to an individual customer.

The Operating Licence requirements cover:

- drinking water quality
- system performance, including water continuity, pressure and sewage overflows
- water demand and supply, including an Integrated Water Resources Plan
- environmental and energy management
- catchment management
- customer and consumer rights.

The Operating Licence defines a *consumer* to mean any person who uses the services that Hunter Water provides. It requires Hunter Water to deliver the defined services to all consumers, whether they are customers or not.

#### 3.2 Customer Contract

The Hunter Water Act<sup>1</sup> provides that an owner of land that is connected to a water main or sewer main owned by Hunter Water is taken to have entered into a customer contract with Hunter Water, on the terms and conditions set out in Schedule 2 of the Operating Licence, unless the parties specifically agree on other terms and conditions.

This Customer Contract sets out the rights and obligations of Hunter Water and its customers in relation to the services that Hunter Water supplies under its Operating Licence. These services include supplying water, providing sewerage and drainage services and disposing of wastewater.<sup>3</sup> A copy of the existing Customer Contract can be found at Attachment 4.

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<sup>1</sup> Section 36 of the *Hunter Water Act 1991*.

<sup>2</sup> Section 12 of the *Hunter Water Act 1991*.

<sup>3</sup> Section 12 of the *Hunter Water Act 1991*.

The rights and obligations included in the existing Customer Contract are:

- supply of water, sewerage and stormwater drainage services, including services to land with more than one owner
- setting and adjustment of charges
- the ownership, operation and maintenance of meters
- billing (the notice of charges), payment of charges and overdue amounts
- the continuity and quality of the services provided, including interruptions to the supply of services, access to land and the rectification of defective work
- connection, maintenance, and repairs to the water supply and sewerage system
- restrictions on the use of sewers by customers.

### *Customers*

Unlike the Operating Licence, the Customer Contract applies only to Hunter Water's customers, not to all consumers of its services. For example, a tenant who is a consumer of Hunter Water's services is not a customer and therefore has not entered into a Customer Contract. The landlord (as the owner of the property) is a customer and so does have a Customer Contract. However, the Operating Licence provides that Hunter Water must fulfil its obligations with respect to complaints and disconnection procedures as if these obligations extended to consumers.

## **3.3 Customer Charter**

In 1995, Hunter Water published a Customer Charter. This document:

- spells out its objectives when responding to service interruptions that affect individual properties. These are to:
  - assess the priority of a problem within 30 minutes and attend to the problem according to this priority
  - reinstate water or sewer services within six hours and clean up the area afterwards
  - provide alternative water or toilet facilities on request where practical, where the problem can not be fixed within six hours
  - give two days notice of any planned interruptions to water supply
- provides details of actions it will take if the Service Standards outlined in the Charter are not met over the course of a year (from 1 July to 30 June) as a result of a failure in Hunter Water's system. These are to:
  - rebate the water service charge if total confirmed interruptions to the water service exceed 24 hours
  - rebate \$50.00 from the customer's account if there are more than five separate confirmed low pressure events
  - rebate the sewer service charge if there are more than three confirmed sewer overflows on the customer's property.

Although the Customer Charter's commitments extend Hunter Water's obligations, the Charter is a voluntary document that is not legally binding on Hunter Water. As such, it may be changed at any time at Hunter Water's discretion.

### 3.4 Statute and Common Law

Consumers have a number of legal rights with respect to the provision of goods or services that are set out in statute law, and also provided for by common law. These rights are in addition to those set out in Hunter Water's Customer Contract.

The *Trade Practices Act 1974* (Commonwealth) and the *Fair Trading Act 1987* (NSW) prohibit businesses from engaging in conduct that is misleading or deceptive, or likely to mislead or deceive. These provisions apply to any commercial activities, including advertising and selling, which are likely to be misleading or deceptive.

These Acts, as well as the *Sale of Goods Act 1923* (NSW), provide that certain transactions<sup>4</sup> must automatically be given warranty protection by the law, whether or not suppliers give their own warranties or guarantees. Automatic warranties for the supply of services include that the services be fit for the purpose for which they are supplied and that they be of a nature and quality that they might reasonably be expected to achieve the expected result (merchantable quality). A consumer may take legal action if these warranty provisions are not complied with.

Consumers may also bring an action under the Trade Practices Act or at common law for compensation if they have been injured or if a defective product has caused damage to their property. Examples of legal proceedings with respect to the supply of water are the representative actions in 1998 concerning water contamination in Sydney.<sup>5</sup>

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<sup>4</sup> The Fair Trading Act excludes goods that are consumed by a process of manufacture or production from the definition of 'consumer' transactions. The Trade Practices Act provides that a consumer transaction involves goods priced at less than \$40,000, or where the goods cost more, goods of a kind ordinarily acquired for personal, domestic or household use or consumption. The Sale of Goods Act deals with contracts for the sale of goods.

<sup>5</sup> Two legal actions were brought against Sydney Water as a result of the 'Boil Water' Alerts in 1998. A personal injury class action was withdrawn and a class action that sought compensation for lost profits was settled on the basis that a scheme had been put in place.

## 4 KEY ISSUES

The Tribunal has identified a range of issues that it will consider as part of this review and on which it particularly seeks comment from stakeholders. These issues relate to obligations and rights that are commonly included in Customer Contracts for utilities.

### 4.1 Quality of water and sewer services

Hunter Water's Operating Licence includes standards for the overall performance of the water and sewerage system, and the quality of water supplied. This section considers the treatment of these issues in the Customer Contract.

#### 4.1.1 System performance standards

##### Issue 1

*To what extent should the commitments in the Charter be transferred into the Customer Contract to reflect Operating Licence requirements?*

The Customer Contract requires Hunter Water to supply water and sewerage services that are consistent with the pressure and continuity<sup>6</sup> standards specified in its Operating Licence.<sup>7</sup> Table 1 sets out the system performance provisions in the Operating Licence, the Customer Contract and the Customer Charter.

**Table 1 System performance requirements in Hunter Water Customer Contract**

Issue	Operating Licence	Customer Contract	Customer Charter
Drinking water continuity	No more than 14,000 properties in a financial year will experience one or more water interruptions which taken together, have a cumulative duration exceeding 5 hours.	Hunter Water will supply water and sewerage services consistent with continuity standards in the Operating Licence.	Hunter Water will rebate the Water Service Charge if, over the course of a year, you experience total confirmed interruptions to the water service exceeding 24 hours as a result of a failure in Hunter Water's systems.
Drinking water pressure	No more than 4,800 properties in a financial year experience one or more pressure incidents (less than 20 m of head), other than a result of a water interruption, water use for fire or operational problems such as main breaks or pump failure.	Hunter Water will provide services such that Standards for water pressure shall be regulated by prescribed standards set out in the Operating Licence.	Hunter Water will rebate \$50 if, over the course of a year, you experience confirmed low water pressure events (less than 12 m of head) on more than five separate occasions as a result of a failure in Hunter Water's systems.
Sewage overflows	The number of uncontrolled sewage overflows in a financial year (other than on Public land) does not exceed 6,500.	Hunter Water will supply sewerage services consistent with continuity standards in the Operating Licence.	Hunter Water will rebate the Sewer Service Charge if, over the course of a year, you experience more than three confirmed surcharge events (overflows) on your property as a result of a failure in Hunter Water's systems.

<sup>6</sup> Drinking water continuity is usually defined in terms of the frequency and/or duration of interruptions to water supply. These interruptions may be either planned (to allow the water utility to undertake maintenance) or unplanned (as the result of a burst water supply pipe).

<sup>7</sup> Hunter Water Customer Contract sections 6.1 (b) and (c).

Table 1 highlights some differences between criteria in the Operating Licence and the Customer Charter. For example, in relation to pressure, the Customer Contract requires Hunter Water to meet the system performance standard set out in the Operating Licence. This provides that pressure should not fall below 20 metres of head at the connection between the property and Hunter Water's mains. However, the Customer Charter defines a low-pressure incident when pressure at the connection point falls below 12 metres of head.

Table 1 also shows that the commitments in the Customer Contract are consistent with the Operating Licence requirements. The Customer Charter sets out a system of rebates if these commitments are not provided to individual customers (rebates and redress will be considered in section 4.3). The issue here is whether any of the obligations in the Customer Charter, including the system of rebates, which may be varied at Hunter Water's discretion, should be transferred to the Customer Contract, which can only be amended in accordance with the *Hunter Water Act 1991*.

The Sydney Water Customer Contract clearly sets out the utility's obligations to meet all standards in the Operating Licence. The requirements in that Contract mirror the requirements in the Licence for continuity, (expressed as obligations for both planned and unplanned interruptions), pressure, sewer overflows and water quality.

#### 4.1.2 Water quality standards

##### Issue 2

##### ***Are the water quality standards in the Operating Licence adequately explained in the Customer Contract?***

Hunter Water's Operating Licence (clause 6.2) requires it to comply with the 'health guideline values', and selected 'aesthetic guideline values'<sup>8</sup> of the *Australian Drinking Water Guidelines, 1996* as amended, updated or supplemented by NSW Health. To ensure compliance with these guidelines, the Operating Licence requires Hunter Water to plan, monitor and report various measures related to the water it supplies to customers.

The existing Customer Contract includes a requirement that Hunter Water should meet the quality standards for water set out in the Operating Licence. However, it does not clearly explain these standards in terms that individual customers could easily understand in relation to the water that they receive.

The Sydney Water Customer Contract includes clear and transparent provisions dealing with health and aesthetic guidelines and provides rebates where these provisions are not met (rebates are discussed in section 4.3). Attachments 2 and 3 set out details of water quality commitments provided by other Australian and overseas water utilities.

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<sup>8</sup> Health guideline values are defined as the concentration or measure of a physical characteristic of water quality that, based on present knowledge, does not result in any significant risk to the health of a person over a lifetime of consumption.

Aesthetic guideline values are defined as the concentration or measure of a physical characteristic of water quality that is associated with good water quality. Physical characteristics of drinking water include: dissolved oxygen, hardness, pH, taste, odour, total dissolved solids, true colour, and turbidity.

## 4.2 Customer service levels

As a state-owned monopoly business that provides essential services, Hunter Water is expected to provide reasonable levels of customer service, and treat its customers fairly. In May 2002, the Minister for Energy gazetted a requirement for Hunter Water to monitor various indicators relating to the service that it provides to customers.<sup>9</sup> In addition, its Operating Licence requires Hunter Water to develop further policies and procedures for certain aspects of customer service. The Tribunal seeks on comment on the extent to which these obligations should be included in the Customer Contract.

### 4.2.1 Providing customers with information

#### Issue 3

***Should the Customer Contract require Hunter Water to provide customers with timely responses to customer issues and adequate notice of actions that may impact them?***

Customer contracts for water utilities commonly specify the time in which the utility will respond to some service problems and the notice it will provide of planned service interruptions.<sup>10</sup> These provisions ensure that customers:

- receive timely responses to service problems
- are made aware of the actions the utility is taking to fix these problems
- are given adequate notice when their service will be interrupted.

Hunter Water's Customer Contract specifies that it will assess the urgency of reported water and sewer problems within 30 minutes of being contacted and will dispatch repair crews according to the priority assigned to the incident. The Sydney Water contract also provides for a response dependent on the type of incident, the impact and the relative priority.

The Hunter Water Customer Contract specifies minimum notice periods for disconnection or restriction of customer's supply and interruptions to supply for planned maintenance and repairs. The Sydney Water Customer Contract has similar provisions.

The Sydney Water Customer Contract also specifies notice periods for the following situations that are not included within Hunter Water's obligations

- restoring supply after restriction or disconnection
- responding to complaints and inquiries
- removing trees on a customer's property
- accessing a customer's property (other than meter reading or emergencies)
- requiring a customer to remedy defective work
- responding to requests for meter testing

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<sup>9</sup> These indicators relate to affordability, complaints and account contact, telephone calls, and metered accounts where meters are not read.

<sup>10</sup> Sydney Water Customer Contract, April 2002. Office of the Regulator General Victoria, Benchmark Customer Contract, Melbourne Metropolitan Water and Sewerage Retail Industry, 1998.

## 4.2.2 Financial hardship

### Issue 4

#### *What procedures or information should the Customer Contract include for customers in financial hardship?*

The Tribunal has investigated socio-economic conditions in both the Hunter and Sydney regions. Table 2 presents a few socio-economic parameters at a very aggregate level.

**Table 2 Some socio-economic indicators for Sydney and Hunter regions**

Indicators for Individuals <sup>11</sup> (as % of total population)	Sydney	Hunter
Gross income less than \$300 per week <sup>12</sup>	38.4	45.7
Schooling to Year 10 or less	42.3	41.0
Live in rented accommodation	30.8	25.8
Aged 65 years or more	11.9	15.1
Non-English speakers	27.6	3.6

Source: Australian Bureau of Statistics 2001.

This data does not convey the wide local variations within both the Hunter and Sydney regions. However, it is clear that Hunter area contains a greater proportion of people on lower incomes and people over the age of 65 years. This suggests that the welfare support procedures for Hunter Water's customers need to be at least equal to that provided by Sydney Water. The other socio-economic indicator that represents a meaningful difference between the two areas is the proportion of non-English speakers. This has implications for the demand for interpreter services.

Sydney Water has a Payments Assistance Scheme to provide assistance to low-income and other disadvantaged customers. Under the scheme, Sydney Water issues bill payment vouchers to a range of welfare agencies who can then issue these vouchers to needy customers, based on the agency's assessment of their needs. Providing account relief to these customers assists them to pay their bill, removing the need for Sydney Water to recover the debt. Sydney Water's Customer Contract requires it to explain to those in financial hardship their rights and the measures of assistance available to them.

Hunter Water does not have such a scheme. However, the Ministry of Energy and Utilities is currently examining the issue of payments assistance for Hunter Water through the Utilities Concession Steering Group.

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<sup>11</sup> The parameters shown in this table have been identified by the Australian Bureau of Statistics as the key indicators used in the Index of Disadvantage, Socio-Economic Index for Areas from the 1996 Census.

<sup>12</sup> The threshold of \$300 gross weekly income was chosen because this represents the cut-off of the lowest income quintile in the Australian Bureau of Statistics 1998/99 Household Expenditure Survey.

<sup>13</sup> Sydney Water Customer Contract, April 2002. Office of the Regulator General Victoria, Benchmark Customer Contract, Melbourne Metropolitan Water and Sewerage Retail Industry, 1998.



### 4.2.3 Complaints handling

#### Issue 5

***What complaints handling procedures and/or level of detail in dispute resolution processes should be included in the Customer Contract?***

Hunter Water's Operating Licence requires it to establish an internal complaints handling procedure, based on Australian Standard AS 4269-1995 Complaint Handling. It also requires that certain complaints and dispute resolution information be provided to consumers at least once a year.

The existing Customer Contract provides no information about Hunter Water's internal process for dealing with complaints.

Sydney Water's Customer Contract includes a detailed and transparent description of the complaints handling process required by Australian Standard AS 4269 – 1995. It specifies:

- that the response to a complaint should be prompt and provide either a resolution, an investigation or reasons for a decision
- that the response will include the name and contact details of a manager who is able to provide an internal review of the matter
- that the internal review process will ensure that the complaint is properly and promptly investigated and that the final decision takes account of all appropriate rights and obligations and will be communicated to the customer as soon as practicable
- that the response from an internal review will communicate:
  - The final decision
  - All relevant facts and legislative provisions
  - Any proposed action
  - The customer's rights to external review and contact details for such action.

This level of detail is not so prescriptive to deny Sydney Water the flexibility to provide the best result for an individual customer. However, it is sufficient to ensure that customer complaints are addressed adequately and customers are properly informed of the outcomes.

Call centres provide almost immediate response to most inquiries and complaints. However, for complaints that cannot be addressed immediately, the Sydney Water Customer Contract requires that it must respond to telephone complaints in less than two days and to written complaints in less than five days. Hunter Water's Contract includes no requirements concerning the response timeframes to either inquiries or complaints.

Hunter Water's Operating Licence also requires it to establish an external complaints handling process. To comply with this requirement, Hunter Water has joined the Energy and Water Ombudsman of NSW scheme (EWON). EWON can review issues relating to billing and accounts, customer service, credit and payment administration, disconnection or restriction of service, and any other matters requiring dispute resolution. In many cases, it can make a decision to resolve a problem. Hunter Water has agreed to accept EWON's decisions in these matters.

Hunter Water's existing Customer Contract does not include information about customers' right to external dispute resolution or EWON. In contrast, Sydney Water's Customer Contract sets out this right, the type of dispute that can be taken to EWON, and that EWON's services are available at no cost to the customer. It also provides information about the Fair Trading Tribunal, and notes that consumers also have recourse to the courts to resolve disputes with Sydney Water.

### 4.2.4 Debt and restriction or disconnection

#### Issue 6

#### ***In what level of detail should Hunter Water's code of practice and procedure for debt and disconnection be specified in the Customer Contract?***

Hunter Water must develop a code of practice and procedure on debt and disconnection<sup>14</sup> within 6 months of the commencement date of its new Operating Licence.<sup>15</sup> The Operating Licence requires that this code of practice and procedure must:<sup>16</sup>

- provide for deferred payment or payment by instalment options for consumption bills
- provide for these payment options to be advised in the consumption bills
- be included in the Customer Contract
- be extended to consumers, if they are liable for water use charges.<sup>17</sup>

The Sydney Water Customer Contract includes sufficient detail of the code of practice and procedure on debt and disconnection to inform customers of their rights and of the consequences of their actions. This includes:

- a description of the steps that Sydney Water will take if a bill is unpaid
- details of assistance available to customers at each of the steps in the collection cycle
- information on customer's rights and the availability of external dispute resolution
- circumstances in which Sydney Water will not restrict supply
- information on how water supply can be restored after restriction or disconnection.

The Sydney Water Customer Contract also specifies how much notice it will give consumers and customers whose supply of services is to be restricted or disconnected, and how much time it will take for their normal supply to be restored. This allows consumers and customers to understand the consequences of their actions and, if they are in financial hardship, to make arrangements to pay. This level of detail is similar to that included in Victorian water retailers' customer contracts.

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<sup>14</sup> Debt and disconnection refers to default on the payment of a debt owed to Hunter Water, and restriction or disconnection of the services provided by Hunter Water.

<sup>15</sup> Hunter Water Operating Licence, clause 5.3.1.

<sup>16</sup> Hunter Water Operating Licence, clauses 5.3.2 and 5.3.3.

<sup>17</sup> Hunter Water Operating Licence, clause 5.2.2.

### 4.3 Customer rights of redress

Customers should have rights of redress if they do not receive a minimum standard of service, or if they are adversely affected by a system failure. Redress may include:

- timely response to fix the problem
- explanations for service disruptions and notice of planned service interruptions
- rebates
- compensation for damages to property.

#### Issue 7

***Should the Hunter Water Customer Contract provide an adequate system of rebates where minimum service standards are not delivered? If not, in what circumstances are they not adequate? How could the role, scope or size of rebates be improved?***

##### *The role of rebates*

Water utilities' customer contracts often specify customers' rights to receive rebates when the services they receive do not meet required standards, due to system failures or other reasons. In these cases, the role of the rebate is to acknowledge that the customer has not received the service they have paid for, and to provide some measure of compensation for the inconvenience they have suffered.

Typically, a rebate is not seen as a substitute for compensation in cases of serious system failure. In fact, Sydney Water research has shown that customers prefer system problems to be rectified rather than receiving a rebate for an unsatisfactory quality of service. To address the issue of serious system failures, some customer contracts advise customers that they can claim additional compensation for loss of damage to their property as a result of the utility's activities and explain the procedure for doing this. Sydney Water has suggested that regulatory instruments other than the Customer Contract should be used to ensure utilities maintain their systems to adequate levels.<sup>19</sup>

Hunter Water's Customer Contract currently does not oblige it to pay any rebates. Its Customer Charter sets out the Corporation's objectives for water continuity, pressure and sewer overflows on private properties and its commitment to pay rebates when these objectives are not met. However, the commitments and rebate provisions in the charter may be changed at Hunter Water's discretion.

It may be argued that a water utility's customer contract should not require it to guarantee that the services it delivers to *every customer* will be consistent with the system performance standards set out in its operating licence. This recognises that service failures may be caused by various factors, many of which are outside the utility's control. However, typically, the service guarantee of a water utility in a customer contract is not an unconditional guarantee. Guarantees within customer contracts usually provide an obligation to either provide the individual customer with the service to the standard required in the operating licence, or to

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<sup>18</sup> These indicators relate to affordability, complaints and account contact, telephone calls, and metered accounts where meters are not read.

<sup>19</sup> Sydney Water presentation and research, IPART Sydney Water Customer Contract Review Workshop, 24 August, 2001.

pay the customer a rebate. The guarantee within Sydney Water’s Customer Contract is an example of such an obligation.

*Size, scope and application of rebates*

Table 3 sets out the rebates specified in Hunter Water’s Customer Charter.

**Table 3 Hunter Water current rebate scheme**

<b>Incident</b>	<b>Size of current rebate</b>
Total confirmed interruptions to the water service exceed 24 hours in a year from 1 July to 30 June	Standard Annual water service charge (\$26.55 in 2002/2003)
Pressure less than 12 m of head on more than five separate occasions in a year from 1 July to 30 June	\$50.00
More than three confirmed sewer surcharge events on your property in a year from 1 July to 30 June	Standard annual sewer service charge (\$222.36 in 2002/2003)

Sydney Water and Hunter Water have different rebate structures. The Hunter Water rebates are larger than those provided by other water utilities, but Hunter Water provides rebates only for multiple events. For example, Hunter Water provides a rebate of \$26.55 if the total water supply interruptions exceed 24 hours in a year, whereas Sydney Water provides a rebate of \$10 for a single interruption exceeding five hours.

The Tribunal invites Hunter Water to provide a discussion of its rebate policy in its submission to this review. Table 4 sets out the rebates provided in Sydney Water’s Customer Contract.

**Table 4 Sydney Water’s current rebates**

<b>Incident</b>	<b>Minimum Rebate*</b>
Water discontinuity	\$10.00
Water pressure	\$10.00
Sewer overflow	\$20.00
Sewerage discontinuity (‡)	\$10.00
Dirty water (‡)	\$10.00
Boil water alert (‡)	\$15.00
Recycled water discontinuity (‡)	\$10.00

\* Most rebates are 10 per cent of the service charge subject to a \$10 or \$20 minimum.

‡ Incidents marked are not included in Hunter Water’s rebate scheme.

In most cases, the rebate is 10 per cent of the relevant service charge, subject to a specified minimum amount. Customers who pay more than the base service charge would receive more than the minimum rebate amount. The service standards and obligations for other water utilities are set out in Attachments 2 and 3.

Compared to Hunter Water, Sydney Water pays smaller rebates for less serious service failures. Also, as Tables 3 and 4 show, the range of incidents for which Hunter Water will pay a rebate is more limited than that covered by Sydney Water’s rebate scheme.

The Tribunal has investigated the application of the Hunter Water rebate scheme during 2001/2002 and compared these with the application of the Sydney Water scheme for similar incident types over the same period. Table 5<sup>20</sup> shows its findings, adjusted to take into account that Sydney Water has approximately 7.5 times as many customers as Hunter Water. These findings indicate that Hunter Water pays fewer rebates than Sydney Water.

**Table 5 Rebates for Hunter Water compared with Sydney Water, adjusted for customer numbers, 2001/02**

Incident	No of HWC rebates	Adjusted number of SWC rebates*	Value of HWC Rebates (\$)	Adjusted value of SWC rebates (\$)*
Water discontinuity	1,345	22,328	34,816	239,942
Pressure incident	18	655	900	6,627
Sewer overflow	10	2319	1,290	23,929
<b>Total</b>	<b>1,363</b>	<b>25,303</b>	<b>37,006</b>	<b>270,498</b>

\* Actual number of Sydney Water rebates and value of these rebates divided by 7.5  
 Source: Information from staff of Hunter Water and Sydney Water, August 2002.

*Special rebates for recurring problems*

During its review of Hunter Water's Operating Licence, the Tribunal heard that a small number of Hunter Water's customers experience recurring sewerage service problems, including internal overflows and discontinuities during heavy rain. The Tribunal is keen to explore the extent of such recurring problems. As Table 3 shows, Hunter Water's current rebate scheme provides rebates for multiple incidents within a year.

Sydney Water's Customer Contract includes special provisions for customers that are receiving a level of service that is substantially below the standard provided to most customers. Some recurring problems, especially those related to sewer service, result from system capacity constraints and may not be able to be remedied easily. Notwithstanding this, the Sydney Water Contract provides a rebate of the entire annual sewer service charge (\$319.12 in 2002) to customers who experience two or more severe sewer service failures in any six-month period.

*Provisions related to claims for compensation*

Hunter Water's Charter seeks to address the needs of customers affected by an incident when the incident occurs. This can include helping to contain the problem, arranging for rectification of the affected property and providing alternative water and toilet facilities.

However, some customers may wish to claim additional compensation in the event of loss or damage to their property as a result of Hunter Water's activities. Neither the existing Hunter Water Customer Contract nor the Customer Charter informs customers of their right to make such a claim or explains how to go about making a claim. The Sydney Water Customer Contract informs customers of the basic steps involved in claiming this kind of compensation, and sets out how Sydney Water will respond to their claim.

<sup>20</sup> Table 5 shows details of only those incident types from Sydney Water rebate scheme that are included in the Hunter Water rebate scheme set out in the Customer Charter.  
<sup>21</sup> Hunter Water Customer Charter, July 1995.

Hunter Water's Operating Licence also requires that customers be informed that they are able to take compensation claims and customer service complaints to EWON if they are not satisfied with the resolution offered by Hunter Water. The Customer Contract should reflect this requirement.

#### **4.4 Special obligations towards commercial and industrial customers**

##### **Issue 8**

***What, if any, special obligations towards commercial and industrial customers should be included in the Customer Contract?***

The needs and expectations of commercial and industrial customers can differ from those of residential customers. For example, temporary or permanent water pressure reductions can impact more heavily on some business and commercial customers than they would on residential customers. Hunter Water's existing Customer Contract makes no distinction between residential, business and commercial customers.

This may be appropriate, given that the Customer Contract is a general instrument that sets a base level of service for all customers. Other customers can enter individual contracts with Hunter Water. During the Tribunal's review of Hunter Water's Operating Licence, Incitec supported this concept of customised service agreements and advocated some differentiation between the rights of domestic and industrial customers.

#### **4.5 Other obligations**

##### **Issue 9**

***To what extent should the issues detailed below be included in the Customer Contract?***

In assessing whether the obligations in the Customer Contract are adequate, the Tribunal has reviewed obligations placed on water service providers in other jurisdictions. This review indicates that Hunter Water's contract includes relatively few specific obligations.

A summary of the additional customer service obligations included in the Customer Contracts or similar instruments of water utilities in Sydney, Melbourne and the United Kingdom is presented in Attachment 2. In addition, Attachment 3 compares Hunter Water's current Customer Contract with the Sydney Water Customer Contract and the United Kingdom Office of Water Services (OFWAT) Guaranteed Service Standards by obligation category. The most significant differences are discussed below.

##### *Availability of concessions*

Hunter Water's Customer Contract contains no reference to the availability of any government-funded pensioner concessions. Providing this information informs customers of their rights and facilitates government policy to provide discounts to particular customer groups. The Sydney Water Customer Contract includes such information.

### *Special health needs*

Sydney Water's Customer Contract includes a contract provision for people who require water supply to operate a life support system or who have other special health needs. This provision prevents the restriction of water supply for non-payment and makes special allowances if interruptions to supply are planned. The existing Hunter Water Customer has no similar provision.

### *Identification*

The Sydney Water Customer Contract requires officers or contractors to present identification when they enter a customer's property to undertake an activity on behalf of Sydney Water. This is an important requirement to protect customer safety. The Hunter Water Customer Contract has no similar provision.

### *Repair of water pipes*

In addition to the repair of its own assets, Hunter Water's policy is to repair:

- water pipes between Hunter Water's mains and the customer's water meter up to one metre inside the property boundary
- sewer pipes between the customer's boundary and Hunter Water's sewer mains.

There are some circumstances in which Hunter Water is not responsible for these repairs. For example, it is not responsible for repairing illegal services. Unlike the Sydney Water Customer Contract, Hunter Water's contract does not clearly state its repair policy.

### *Privacy*

The Sydney Water Customer Contract includes a clause that obliges it to act in a manner consistent with the *NSW Privacy and Personal Information Act 1998*. The Hunter Water Contract includes no similar clause.

### *Consultation*

Hunter Water has established a Consultative Forum as required by clause 5.4 of its Operating Licence. The Customer Contract is an ideal vehicle for informing customers about this forum. In its submission to the Operating Licence review, Incitec commented that it has never been made aware of Hunter Water's consultative process. The Sydney Water Customer Contract includes information about its Customer Councils.

## **4.6 Customer obligations**

In addition to obligations to pay fees and charges that have been levied in a fair and reasonable manner, the existing Customer Contract obliges customers to ensure that their actions do not jeopardise the integrity of Hunter Water's assets. The contract specifies that Hunter Water is not responsible for illegal services and water services installed by a customer contrary to its requirements. Illegal connections by customers to Hunter Water's systems represent a serious issue. They can compromise Hunter Water's ability to meet performance standards and environmental requirements. For example, during wet weather illegal connection of household stormwater into the sewerage system increases the load on sewer mains, pumping stations and treatment plants. These increased loads may result in sewer overflows.

The Customer Contract also specifies the action Hunter Water may take to ensure remediation of 'defective work' that it considers impairs the operation of the system. Hunter Water may charge a customer for the repair or replacement of a meter because of a customer's wilful damage or negligence.

These provisions are similar to those in the Sydney Water Customer Contract.