

Comments on Hunter Water Operating Licence Review

The Ministry concurs with IPART's suggestions in the Issues Paper on the Review of Hunter Water Corporation's (HWC) Operating Licence relating to the following issues. More detailed comments on other issues are given under headings from the issues paper.

- **Water Recycling and Reuse (Issues Paper S. 5.3.4)**

HWC already recycles a considerable volume of wastewater through industry, but the volume is subject to fluctuations in economic and industrial conditions beyond HWC's control. It would be beneficial to provide some form of indicators of reuse as suggested by IPART, rather than fixed targets.

- **Debt and Disconnection (Issues Paper S. 6.3.2)**

HWC has a debt and disconnection policy, however, the Operating Licence does not have a requirement to have one. This review provides an opportunity to include such a requirement in the Operating Licence to improve accountability and transparency.

- **Customer Service Standards and Indicators (Issues Paper S. 6.3.4)**

The Ministry supports the inclusion of the customer service standards outlined in Section 6.3.4 of the IPART Discussion Paper in the HWC Operating Licence. These standards would then be reported on in the Operational Audit and should improve performance in customer service.

- **Reporting on the Operational Audit (Issues Paper S. 7.1)**

The Ministry considers that the HWC's Operational Audit should be tabled in Parliament to be consistent with the Sydney Water and the Sydney Catchment Authority Operational Audits. The Ministry also recommends that IPART publish the audit reports to provide consistency with the Sydney Water and Sydney Catchment Authority Operational Audits and transparency in the process.

- **Term of Licence (Issues Paper S. 7.2)**

The Ministry supports the extension of HWC's licence from 3 years to a 5-year licence consistent with the 5-year terms for Sydney Water and the Sydney Catchment Authority. This would provide HWC with time to complete projects arising from audit recommendations and allow viable mid-term reviews.

Other Issues

Drinking Water Quality Standards (Issues Paper S. 3)

During the 1999/2000 Operational Audit, HWC advised the Auditors that no upgrades or modifications are required to their systems to meet the new NHMRC guidelines. The Corporation has already agreed to be audited against the latest Guidelines and Sydney Water already complies with any revisions to the health-related aspects of the Guidelines, where specified by NSW Health. Accordingly, it is appropriate that the HWC's Operating Licence reflects the new guidelines as amended from time to time. The Ministry agrees with HWC that, where the revised drinking water parameters require major works to comply, sufficient lead time needs to be allowed for planning and construction.

The Ministry considers that the requirements of the Corporation's Memorandum of Understanding with NSW Health should be codified as part of its Operating Licence, both for consistency and for audit purposes.

System Performance Standards and their Limitations (Issues Paper S. 4)

The 1999/2000 Operational Audit indicates that HWC has continued to comply with the performance standards for discontinuities, sewer surcharges, water pressure and drought security. That Audit recommended "the performance standards for HWC should be reviewed with consideration given to establishing parity against levels of service provided by other water and sewerage authorities, where practicable."

IPART has recently recommended that Sydney Water's existing system performance standards be tightened. In addition, the Tribunal has recommended that Sydney Water be required to report on a number of indicators of performance in various areas. Some of these indicators are to be used to provide greater insight on performance against the standards. The Minister has concurred with the IPART recommendations and required Sydney Water to commence operating against these new standards.

The current HWC standards for water pressure, service interruptions to supply (discontinuity), wastewater, sewer surcharges and drought security do not provide substantial incentives to HWC to improve their performance. It is also noted that the standards are well below the current standards set for Sydney Water.

It is noted that Halcrow (2001) has suggested that the current standards were set to suit the capability of the system rather than customer expectations of water services. The findings of the 1999/2000 Operating Licence Audit confirm this opinion.

There are likely to be certain areas where customers would like to see improvements. In particular, wastewater treatment was highlighted in the

1999/2000 Operational Audit as such an area. It is noted however, that HWC has been and is continuing to take measures to improve performance in that area.

In the light of the above information the Ministry recommends that the standards be amended accordingly taking into account the standards of performance detailed in the annual audits from 1995 to 2000.

Sewer Overflows (Issues Paper S. 4.4.2 & S. 4.5.2)

It has been suggested during the recent review of Sydney Water's performance standards and by members of the former Licence Regulator that the measure of properties experiencing a sewer overflow per annum should in fact show the number of properties surcharged, rather than the percentage not surcharged (see Figure 4.4 in the 1999/2000 Operational Audit). Use of the existing percentage measure without knowing the total number of properties is not very meaningful to customers. The Ministry would support the provision of an additional indicator of the "number of properties affected" as well as the existing percentage indicator. This would still allow comparison between water utilities on a percentage basis regardless of the customer numbers and provide an indication of actual numbers of properties affected.

Wastewater Treatment (Issues Paper S. 4.4.2 & S. 4.5.2)

HWC has voluntarily suggested a licence condition requiring monthly publishing of performance of wastewater treatment facilities against the EPA licence criteria and in the Corporation's Annual Environmental Report (AER). The Corporation has also suggested publishing odour complaints in the AER. The publication of these statistics will increase accountability to the Corporation's customers and demonstrates the Corporation's commitment to improving its own performance and is supported.

Stormwater (Issues Paper S. 4.5.3)

The EPA and DLG are currently reviewing stormwater management funding and policy arrangements. The Ministry is currently reviewing Sydney Water's policy framework and funding arrangements for stormwater management in this context.

The outcomes of those reviews may have implications for HWC's Operating Licence.

Demand Management (Issues Paper S. 5.3.1)

It is noted that HWC's per capita usage rate is well below that of Sydney Water and rates second nationally out of the major water utilities. If it is intended to include demand management targets in the Operating Licence, it would be necessary to closely examine the opportunities for water savings in the Hunter to ensure that the targets are relevant and realistic.

The Ministry concurs with HWC's recommendation "that the Operating Licence includes a requirement to develop a water conservation strategy for its area of operations that encourages the community to continue to reduce water usage".

Reduction of Water Leakages (Issues Paper S. 5.3.2)

It is noted that HWC has the highest overall leakage rate reported by a metropolitan water authority and the loss is clearly a significant proportion of its water usage. It is recommended that targets for leakage reduction are included in the new Operating Licence and reported annually in the Operational Audit.

The targets should be considered in the light of HWC's asset management strategies and its implications for funding and pricing.

Environmental and Ecologically Sustainable Development Indicators (Issues Paper S. 5.4)

Environmental and ecologically sustainable development is a core Government policy. MEU considers that indicators similar to those included in the Sydney Water and Sydney Catchment Authority Operating Licences should be included in HWC's Operating Licence.

Energy Management (Issues Paper S. 5.5)

The Ministry monitors and reports on the energy usage of Government agencies and authorities under the Government Energy Management Policy (GEMP). Although it is not mandatory for State Owned Corporations and Government Trading Enterprises to comply with the requirements of GEMP, HWC currently reports building energy usage to the Ministry under GEMP. HWC has indicated that it prefers to report energy use as an indicator in its Annual Environmental Plan.

Clause 9.4 (and sub-clauses 9.4.1 to 9.4.3) in the current Sydney Water Operating Licence require Sydney Water to report to the Licence Regulator (now IPART) on targets set by the Policy. It is understood that Sydney Water agreed to these clauses in their Operating Licence because it confirmed the Corporation's intentions on energy management.

The Ministry supports Sydney Water's initiative to voluntarily incorporate energy management targets in its Operating Licence. However, it should be sufficient to demonstrate HWC's commitment to energy management by reporting building energy use as an indicator annually in the Corporation's Annual Environmental Report rather than as an Operating Licence condition.

Customer Contract and Customer Charter (Issues Paper S. 6.1 & S. 6.2)

The recent review of Sydney Water's *Customer Contract* has provided for a more balanced customer contract. IPART has indicated that HWC's current *Customer Contract* appears to be biased in favour of HWC. The Ministry

supports a review of HWC's *Customer Contract* at this time to make it more customer-focused.

The issues covered in HWC's *Customer Charter* are similar to those already included in Sydney Water's new *Customer Contract*. HWC have proposed having the rebate provisions of the *Charter* included in the *Customer Contract*. The Ministry considers that it is appropriate to amalgamate the two documents and incorporate a single document into the new Operating Licence. This is consistent with Sydney Water's Operating Licence and the new Sydney Water *Customer Contract* could form the basis of a new HWC *Customer Contract*.

With regard to customer rebates and compensation, the Ministry suggests that the rebates and incidents should be the same as for Sydney Water for consistency of regulation.

Review of Operating Licence (Issues Paper S. 7.3)

The Ministry supports the concept of a mid-term and end-of-term (end of fourth year) review of HWC's Operating Licence provided that the Licence Period is 5 years.

The Ministry notes HWC's request for an end-of-term review only. However, it is considered that the additional review provides stronger accountability as well as consistency with the review terms for Sydney Water and the Sydney Catchment Authority. The mid-term review would provide an opportunity to be more responsive in including these changes in the Operating Licence. In particular, provision should be made for inclusion of changes in drinking water quality standards.

General

The Ministry recommends that it is a requirement of the new Operating Licence that HWC provide electronic downloadable copies of its Operating Licence, Environmental Management Plan and the Customer Contract on its website.

Each of these documents provides the public with transparent information on the operations of Hunter Water Corporation, demonstrates its commitment to continuous improvement and increases its accountability to its customers. Sydney Water currently provides copies of each of these documents on its website.