

IPART

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Submission for IPART determination re Hunter Water from Rick Banyard

I am bitterly disappointed with the 2020 IPART draft determination for Hunter Water and believe the determination should not be proceeded with at this time.

I base my disappointment on:-

1. The failure of a pricing strategy that meets the needs of the Hunter Water community.
2. The pricing strategy is highly discriminatory.
3. The failure of Hunter Water to follow the agreed Lower Hunter Water Plan.
4. The failure of Hunter Water to provide an open and transparent mode of operation.
5. Hunter Water provided a totally unreasonable document as their submission for the pricing application.
6. The extremely poor drought management strategy adopted by Hunter Water
7. The failure of Hunter Water to operate efficiently in the delivery of water, sewage and drainage to consumers.
8. The unsound operation, management and staffing of Hunter Water.
9. The failure of Hunter Water to operate modern metering strategies.
10. The failure of Hunter Water to include user pays pricing in its pricing proposal as a key strategy.

May I address the above with some details and examples?

1. The failure of a pricing strategy that meets the needs of the Hunter Water community

The Hunter Water community required a pricing strategy that that is fair, reasonable, transparent and that provides for community growth and sustainability. Hunter Water has failed badly in all of these areas.

Hunter Water serves a community in a narrow strip along the Lower Hunter coastline. The area is basically exempt from drought. Much of the area is a flood plain with extensive underground and ocean water reserves. Hunter Water also has an agreement with Central Coast water to share water as a key part of their water supply strategies. Despite this agreement the ability to exchange water northward via the pipeline is only capable of about 1/3 of the agreed quantity.

Hunter Water only has one catchment based dammed water storage. Chichester Dam is located remotely from most Hunter Water customers and community. Grahamstown is a reservoir that relies on expensive pumping from the river or the sand beds for its water supply. Hunter Water has not

addressed the huge evaporation and water losses or pumping costs associated with this inefficient system.

Hunter Water has failed to implement water harvesting strategies despite an extensive structured water drainage network built by the water board covering much of the flood plain.

The fact that Hunter Water has failed to provide sufficient quantities of industrial grade recycled or reuse water for industry is scandalous. The use of potable water for dust suppression for coal stockpiles and for the production of steam etc is unnecessarily expensive and severe waste of a very precious product. It is also a serious economic loss opportunity for Hunter Water.

2. The pricing strategy is highly discriminatory

Hunter Water has five major groups of clients. Residential Property Owners, Residential Tenants, Residential Occupants, Commercial Owners and Commercial Tenants however the determination sets out a complex a range of prices and service charges. This is discriminatory as the prices for water, sewage and drainages etc should have one base unit charge for each grade and service.

The cost price of capturing water, storing water and pumping water is exactly the same as at the time of capture, storage and pumping the end user in not known and almost all is treated to drinking water standards.

In the case of residential water use it is probable that 75% of users pay absolutely nothing. This group includes a large proportion of tenants, share house occupants, granny flat dwellers and long term guests within various structures. Of those in those groups that do pay for water use component only (eg qualifying tenants) they do not pay the fixed water supply charge.

In the case of residential occupiers it is only the holder of a Customer Contract (ie those named on the title deeds) that pay for water fixed charges, sewage and drainage. That is discriminatory to the extreme.

Hunter Water has failed to seek amendment to the Act to have the requirement of the Customer Contract to meet the needs of modern utility marketing. Power, Gas, Phone and many other suppliers to residences require tenants and other occupiers to be the customer.

3. The failure of Hunter Water to follow the agreed Lower Hunter Water Plan

One of the most important strategic documents governing the operation of Hunter Water is the Lower Hunter Water Plan 2014.

www.hunterwater.com.au/Resources/Documents/Plans--Strategies/Lower-Hunter-Water-Plan.pdf

This plan very clearly sets out:-

- the Water Wise rules
- the timing of water restrictions
- the per capita consumption at each stage of water restrictions
- future water sources and storage guidelines
- the water flows for the Hunter / Central Coast transfer pipeline
- and other related items

Hunter Water has not only failed to follow this core strategic plan but also has initiated actions that are in conflict with the LHWP.

There has been no evaluation of the 2014 LHWP tabled.

Hunter Water has commenced developing a new version however this is in the very early stages and well behind schedule. The new LHWP is not due until the end of 2021.

It is untenable for pipe dreams from a future Lower Hunter Water Plan to be incorporated in the documents presented to IPART as part of the pricing proposal.

The Lower Hunter Water Plan 2014 is the only authorised strategy.

4. The failure of Hunter Water to provide an open and transparent mode of operation

Hunter Water has practiced a process of pseudo consultation giving the illusion of openness and transparency however the information provided has been very gilded, designed to mislead and concealing.

Hunter Water's Customer and Community Advisory Group (CCAG) (a requirement of IPART) has been operating well short of its requirement. Questions asked at the meeting, pre meeting written questions and other correspondence has been unanswered, poorly answered and falsely answered.

The web site has been modified to hide valuable information eg the water storage chart

Water storage levels - last updated 28 January 2020

Water Source	Maximum Capacity (ML)	Current Volume (ML)	% Full	10 year average total storage
Chichester	18,356	7,079	38.6%	14,978
Grahamstown	182,305	98,222	53.9%	150,375

Water Source	Maximum Capacity (ML)	Current Volume (ML)	% Full	10 year average total storage
Tomago	54,000	29,996	55.5%	47,049
Anna Bay	16,024	8,699	54.3%	10,357
Total Storage	270,685	143,996	53.2%	222,758

The removed chart from the Hunter Water Web site.

There are some serious omissions from the Hunter Water Web site. By way of example the web site does not show:-

- Critical data such as the water transfer volumes to and from the Central Coast.
- The proportion of the Tomago sand beds not accessible due to the PFAS contamination.
- Details of the membership, minutes, business papers, presentations etc related to the Lower Hunter Water Plan Community Liaison Group.
- Water consumption targets for Hunter Water
- Water leakage and other non-revenue water consumption

5. Hunter Water provided a totally unreasonable document as their submission for the pricing application.

The IPART pricing submission was huge and highly confusing. To produce a complex multi volume document that was primarily available only on the web site is hardly conducive to reading and absorbing by Hunter Water community members. The summaries produced were also complex and very difficult to comprehend by lay people.

To comprehend much of the documentation required an in-depth knowledge of Hunter Water's infrastructure, operation, management and personnel.

Hunter Water provided no information sessions to the community about the application.

6. The extremely poor drought management strategy adopted by Hunter Water.

Hunter Water has severely mismanaged their drought arrangements.

Their long term drought arrangements have totally failed because Hunter Water has failed to follow their adopted strategies, failed to carry out effective maintenance and were severely misguided by the personal view and agendas of some staff members.

Clearly many of the drought severity indicators were taken from geographic locations not relevant to Hunter Water's consumer base or the logistics of their water storages and supplies.

Two key strategies from the Lower Hunter Water Plan 2014 were very poorly handled. The Water Wise concept was very underdone and the failure of the transfer pipeline to deliver water to the Hunter was a very serious issue.

Level One Water restrictions were introduced far too early. The water level lowest point was 52.9% (against an 82% ten year average). Level two restrictions should not have been introduced.

Hunter Water failed to take into account the considerable water storage of water tanks and storages held by residents and industry.

Hunter Water also wasted a large volume of water from Chichester Dam by not tapping water prior to spilling and by their inability to transfer water to Grahamstown reservoir.

Clearly there were very serious issues with the modelling conducted by Hunter Water.

Hunter water failed to report to the community the water savings made by the major water user groups (residential, commercial and non-revenue).

Hunter Water has since the introduction claimed that savings have been considerable based on their claimed water sales targets.

Water consumption by month

<i>July 2019</i>	<i>4653 million litres</i>
<i>August 2019</i>	<i>5004 million litres</i>
<i>September 2019</i>	<i>4332 million litres (level 1 restrictions from Sept 16)</i>
<i>October 2019</i>	<i>4752 million litres</i>
<i>November 2019</i>	<i>5198 million litres</i>
<i>December 2019</i>	<i>5661 million litres</i>
<i>January 2020</i>	<i>4963 million litres (level 2 restrictions from Jan 20)</i>
<i>February 2020</i>	<i>3803 million litres (level 1 restrictions from Feb 24)</i>

March 2020 4129 million litres (level 1 restrictions continue)

*Claimed water restrictions saved 12% in first 5 weeks (38,000L per household(1085L per day each!)
(including Ministers press release)*

Claimed saving

October 2019

November 2019 1475 million litres saved

December 2019 1439 million litres saved

January 2020 1717 million litres saved expected 6680 (26%)

February 2020 936 million litres saved expected 4739 (20%)

March 2020 693 million litres saved expected 4822 (14%)

I view the claimed savings as lost sales. Lost sales of this magnitude must impact on Hunter Water's financial position.

I have formed the opinion that a number of water statistics are unlikely to be supportable by sound facts.

The management of the drought strategies and Save Water campaigns must have been considerable. How has this been funded? This expenditure does not seem to included in Hunter Waters draft expenditure

The required per head per capita water consumption cuts as required by the Lower Hunter Water Plan 2014 have not been achieved or accurately reported. By contrast Orange has reduced its consumption from 225 to 119 litres per head per day.

www.centralwesterndaily.com.au/story/6610584/water-use-drops-to-historic-lows-as-top-guzzlers-reined-in/

Hunter Water's consumption per head per day according to data from their publications by LGA is:-

Daily Consumption per capita per day

LGA	Average annual water consumption per residential property (potable and non potable)	Average Daily water consumption per residential property (potable and non potable) (calculation)	Residential Properties connected to water	Annual water supplied (calculation)	permanent population connecter to water supplies	daily consumption per capita connected to water supplies	
Unit	kL	Litre	Number	kL	Number	Litre	
Hunter Water			240,000	#####	537,000	223	(from HW)
Lake							
Maquarie	177	485	90000	15932250	194000	225	(from water bill)
Newcastle	172	470	69200	11871260	149,000	218	(from water bill)
Maitland	186	510	34000	6329100	82,000	211	
Port Stephens	190	520	25000	4745000	61000	213	(from water bill)
Dungog	179	490	600	107310	1200	245	(from water bill)
Cessnock	197	540	21000	4139100	50000	227	(from water bill)
Part Singleton	190	520	200	37960	480	217	(from water bill)
			240000	43,161,980	537,680		
Orange						119	from media
Sydney Water		1.4 billion litres				180	reports

7. The failure of Hunter Water to operate efficiently in the delivery of water, sewage and drainage to consumers.

Hunter Water has conducted some workshops, presentations and other activities to present their views to the community. This has been done by limiting the topics discussed, by presenting bias material and by controlling attendees. This has not allowed the community to have true input. Where Hunter Water has prepared the after event summaries these do not represent the true position.

The community clearly requires reasonable and fair pricing strategies and supply augmentation via storm water harvesting, responsible recycling, water reuse activities and further consideration of desalination.

Rainwater tanks are very important however well removed from Hunter Water's thinking.

Hunter Waters pricing strategy provides almost zero incentive to invest in new technology, to invest in water saving strategies and to treat water as a precious product. The thought of discounting for high end users is simply not justified. With a 100% user pays volumetric pricing strategy based on a inclined block the initial pricing could be very low with subsequent pricing blocks rising. It should be

remembered that very large corporates are able to claim water cost as a tax deduction, to pass on water costs to their customers and to engage new technology to reduce water consumption.

The concept of a high level of fixed charges as adopted by Hunter Water are real disincentive to treating water as a precious product.

Fixed charges would seem to be working against the concept of BASIX principles. Basix is aimed at ensuring homes are designed to use less potable water and be responsible for fewer greenhouse gas emissions by setting energy and water reduction targets for house and units. User pays pricing allows the consumer to recover some of the costs incurred of installing BASIX

8. The unsound operation, management and staffing of Hunter Water.

The calibre of senior staff in recent years has been inadequate to operate a large critical utility provider in a professional and efficient manner.

Senior staff turnover in recent years has been high and included a high proportion of acting positions. Team work seems to be below expectations. Many senior staff have openly displayed and promoted their own pet agenda and failed to follow the laid down long term strategies and plans.

The draft determination by IPART does not show how the works proposals and pricing strategies will be delivered and how the desired results will be delivered and measured.

The true impacts of the drought and Covid 19 have not been factored in.

Hunter Water does not seem to have adequately factored in the cost of bringing the maintenance up to acceptable levels, has failed to have all the new buildings in its area fitted with modern hydraulic infrastructure and has failed to explain how the lower water sales will be managed.

9. The failure of Hunter Water to operate modern metering strategies.

Hunter Water does not have effective and modern methods of determining the measured use of water, the quantities of sewage discharge and the volume of water drainage by the community served by Hunter Water.

Water meters are typically old style manually read meters many of which are very old. Most residential water meters are very old style with no modern features. The community does not have a high confidence in the meter accuracy. Hunter Water's policy of consumer funding meter testing is unreasonable. The process of estimating faulty and missed meter reading is very unprofessional.

New unit block complexes are not being fitted with individual water meters.

In a presentation to a recent Hunter Water's Customer and Community Advisory Group (CCAG) meeting follow a long term request Hunter Water provided very little indication that modern meters and metering accessories would be provided any time soon.

It is also clear that Hunter Water is not going to be measuring sewage and drainage or implementing any strategies to fairly distribute the cost of their service to the community. This is unacceptable. As a minimum the new building complexes should be equipped with modern metering for water, sewage and drainage. Most would be at a small cost to developers as part of new installs.

A key management principle is that measurement is a key to quality management Without quality modern metering technologies there is no way Hunter Water can manage their business and importantly deliver a fair and efficient product.

10. The failure of Hunter Water to include user pays pricing in its pricing proposal as a key strategy.

The pricing of water, sewage and drainage for all consumers must be via a pricing strategy that is based on a 100% user pays strategy with no fixed charges based on fixed rate per Kilolitre. The unit price should be on an inclined block pricing basis with the price per unit rising as the volume increases.

A low price per unit for small volume users will drive conservation, encourage efficiency and focus high users adopting new strategies and technologies.

Differing unit pricing for various grades of water will allow both Hunter Water and end users to save money where a lower grade of water may be suitable for their needs.

Large volume users will be able to claim water costs as a tax deduction, to use lower cost water grades where appropriate and to if appropriate negotiate discounts or concessions.

Hunter Water will be able to benefit from the 100% user pays because it will be able to concentrate on selling its services, by introducing new efficiency technologies, by simplifying water treatment.

Name Change

Hunter Water congers up in the minds of most people that the organisation only deals in water. This is not true as sewage and drainage etc are major activities.

Residential tenants commonly say they pay their water bill. Nothing could be further from the truth. They do not pay the fixed charge for water and they do not pay anything at all for sewer and drainage etc.

Hunter Water Corporation needs to change its name to Hunter Water, Sewage and Drainage Corporation OR Hunter Hydraulic Utilities Corporation.

Conclusion

The major change in seasonal conditions, the Covid 19 impacts and the very poor pricing application and performance should be ample reasons to defer the Hunter Water Determination for at least 12 months or longer. This would allow for the pricing application by Hunter Water to be further evaluated. This would also provide time for Hunter Water and the Government to endorse a new Lower Hunter Water Plan and allow for the Hunter Water pricing and works proposals to be consistent with the needs of the community served by Hunter Water. It would also allow for the impacts of Covid 19 on Hunter Water and the community unity to be determined. The deferment would also give the Board of Hunter Water time to review the senior staffing and management practices of Hunter Water Corporation.

The community stress of Covid 19 has seriously hampered the ability of the community to meet, discuss and communicate to IPART our thoughts. This factor on its own should be a basis for IPART to defer its determination.

I trust IPART will consider the points raised in this submission.

Rick Banyard

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I agree to my submission being published.