



Independent Pricing and Regulatory Tribunal
New South Wales

Hunter Water Corporation

Maximum prices for wholesale water, sewerage and trade waste services and services supplied to recycled water systems from 1 July 2017

Draft Determination
Water

March 2017



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The Tribunal members for this review are:

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Preliminary

1 Background

- (a) Section 11 of the *Independent Pricing and Regulatory Tribunal Act 1992* (**IPART Act**) provides IPART with a standing reference to conduct investigations and make reports to the Minister on the determination of the pricing for a government monopoly service supplied by a government agency specified in Schedule 1 of the IPART Act.
- (b) Hunter Water Corporation (**Hunter Water**) is listed as a government agency in Schedule 1 of the IPART Act.
- (c) The services which, if supplied by Hunter Water, are declared as monopoly services under the *Independent Pricing and Regulatory Tribunal (Water, Sewerage and Drainage Services) Order 1997* are:
 - (1) water supply services;
 - (2) sewerage services;
 - (3) stormwater drainage services;
 - (4) trade waste services;
 - (5) services supplied in connection with the provision or upgrading of water supply and sewerage facilities for new developments and, if required, drainage facilities for such developments;
 - (6) ancillary and miscellaneous customer services for which no alternative supply exists and which relate to the supply of services of a kind referred to in paragraphs (1) to (5); and
 - (7) other water supply, sewerage and drainage services for which no alternative supply exists,(together, the **Monopoly Services**).
- (d) Under section 13(6) of the IPART Act, IPART may limit an investigation and report with respect to a government monopoly service to a particular part or category of that service or to a particular period during which the service is provided or in any other manner.

2 Partial Replacement of Determination No. 4, 2016

- (a) Determination No. 4 for Hunter Water Corporation ('Maximum prices for water, sewerage, stormwater drainage and other services from 1 July 2016'), dated June 2016 (the **Current Retail Determination**) fixes the maximum prices, or fixes a methodology for fixing the maximum prices, that Hunter Water may charge for certain Monopoly Services during the term of the Current Retail Determination.

- (b) This determination applies only to those Monopoly Services that are Wholesale Services, as defined in schedule 5. From the Commencement Date, this determination replaces the Current Retail Determination to the extent that the Current Retail Determination sets prices for Wholesale Services. The replacement does not affect anything done or omitted to be done, or rights and obligations accrued, under the Current Retail Determination prior to its replacement.

3 Application of this determination

- (a) Under sections 11 and 13A of the IPART Act, this determination sets the maximum prices, or sets the methodology for fixing the maximum prices, that Hunter Water may charge for supplying the Wholesale Services.
- (b) Maximum prices under this determination do not apply to:
 - (1) any Existing Services;
 - (2) any services that are supplied under a Negotiated Services Agreement; or
 - (3) any Infrastructure Services provided by Hunter Water to an access seeker pursuant to an access agreement under section 39 of the *Water Industry Competition Act 2006 (WIC Act)* or an access determination under section 40 of the WIC Act.
- (c) This determination commences on the later of:
 - (1) 1 July 2017; and
 - (2) the date that it is published in the NSW Government Gazette, (the **Commencement Date**).
- (d) The maximum prices set out in, or calculated in accordance with, this determination apply from the Commencement Date to 30 June 2021.
[Note: For the calculation of maximum prices under this determination where the determination has not been replaced by 30 June 2021, see clause 2.8 of schedule 5.]
- (e) This determination may be replaced:
 - (1) in whole; or
 - (2) in part, including by a determination that applies to a particular Wholesale Service supplied by Hunter Water at one or more specified Wholesale Connection Points.
- (f) Under section 18(2) of the IPART Act, Hunter Water must not fix a price below that determined in, or calculated in accordance with, this determination without the approval of the Treasurer.

4 Monitoring

IPART may monitor the performance of Hunter Water for the purposes of:

- (a) establishing, and reporting to the Minister on, the level of compliance by Hunter Water with this determination; and
- (b) preparing a periodic review of Hunter Water's pricing policies.

5 Approach to determining maximum prices

- (a) In making a determination of the pricing for the Wholesale Services, IPART has had regard to a broad range of matters including the matters set out in section 15(1) of the IPART Act.
- (b) In accordance with section 13A of the IPART Act, IPART has:
 - (1) fixed the maximum price for Hunter Water's Recycled Water Plant Services; and
 - (2) set a methodology for fixing the maximum price for Hunter Water's On-Selling Services.
- (c) As required by section 13A(3) of the IPART Act, where IPART has set a methodology for fixing a maximum price, its reasons for doing so are set out in schedule 6.

6 Pricing schedules

- (a) Schedule 1 and the table in that schedule set out the methodology for fixing the maximum prices for On-Selling Water Services.
- (b) Schedule 2 and the table in that schedule set out the methodology for fixing the maximum prices for On-Selling Sewerage Services.
- (c) Schedule 3 fixes the maximum prices for Drinking Water Top-Up Services.
- (d) Schedule 4 fixes the maximum prices for Recycled Water Plant Waste Disposal Services.

7 Definitions and interpretation

Definitions and interpretation provisions used in this determination are set out in schedule 5.

Schedule 1 On-Selling Water Services

1 Application of schedule

This schedule 1 sets the methodology for fixing the maximum prices that Hunter Water may levy for supplying On-Selling Water Services.

[Note: The maximum price that Hunter Water may charge for On-Selling Water Services is calculated in accordance with a retail-minus methodology (see clause 2).

The “retail” component is calculated based on the prices that Hunter Water would be able to charge the Retail Supplier’s end-use customers under its prevailing Retail Determination if Hunter Water supplied those customers (see clause 3). This includes:

- a volumetric water usage charge, calculated based on the volume of water supplied by Hunter Water; and
- the sum of the fixed water service charges that Hunter Water would be able to recover from end-use customers if it supplied those end-use customers directly.

This retail component is then reduced by an amount representing the costs of a “reasonably efficient competitor”, calculated based on the number of end-use customers and, where applicable, the length of reticulation pipeline Downstream of Hunter Water’s Water Infrastructure that is used to supply those end-use customers (see clause 4 and Table 1).

Where Hunter Water supplies water at a connection point and that water is used both for drinking water top-up of a Recycled Water scheme and for on-selling of water to end-use customers, then schedule 1 applies to On-Selling Water Services and schedule 3 applies to Drinking Water Top-Up Services.]

2 Maximum prices for On-Selling Water Services

The maximum price that Hunter Water may levy for supplying an On-Selling Water Service to a Wholesale Customer at a Wholesale Connection Point in a Period is the amount calculated as follows:

$$Price = R - C$$

Where:

Price is the maximum price that Hunter Water may levy for supplying that On-Selling Water Service to that Wholesale Customer at that Wholesale Connection Point in that Period;

R is the Retail Component for that On-Selling Water Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period, calculated in accordance with clause 3.1; and

C is the Reasonably Efficient Competitor Costs for that On-Selling Water Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period, calculated in accordance with clause 4.

[Note: Where the maximum price calculated under this clause would be negative, see clause 2.4(c) of schedule 5.]

3 Maximum prices for On-Selling Water Services – Retail Component

3.1 Calculation of Retail Component

- (a) The Retail Component for an On-Selling Water Service supplied to a Wholesale Customer at a Wholesale Connection Point in a Period is the amount calculated as follows:

$$R = \sum WUC + \sum WSC$$

Where:

R is the Retail Component for that On-Selling Water Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period;

$\sum WUC$ is the sum of the Water Usage Charges, determined in accordance with clause 3.2, for the Downstream Properties; and

$\sum WSC$ is the sum of the Water Service Charges, determined in accordance with clause 3.3, for the Downstream Properties.

- (b) The **Downstream Properties**, in relation to a Wholesale Customer and a Wholesale Connection Point, are the Properties:
- (1) that are Downstream of the Wholesale Connection Point; and
 - (2) to which:
 - (A) that Wholesale Customer; or
 - (B) a Retail Supplier for which that Wholesale Customer is an On-Supplier, supplies water supply services (the **Retail Water Services**).

3.2 Water Usage Charges

The Water Usage Charge for a Property in a Period is equal to the maximum water usage charge that Hunter Water would be able to charge under the Retail Determination for supplying the Retail Water Services, if Hunter Water supplied the Retail Water Services.

[Note: Under the Current Retail Determination, maximum water usage charges are set under clause 6 of schedule 1.]

3.3 Water Service Charges

- (a) The Water Service Charge for a Property in a Period is equal to the maximum water supply service charge that Hunter Water would be able to charge under the Retail Determination for supplying the Retail Water Services, if Hunter Water supplied the Retail Water Services.
- (b) For the avoidance of doubt, where:
- (1) the Wholesale Customer or other Retail Supplier supplies the Retail Water Services to a Property for only part of a Period; and
 - (2) for that reason, the amount that Hunter Water would be able to charge under the Retail Determination for supplying the Retail Water Services would be reduced,
- then the Water Service Charge for that Property in that Period is reduced accordingly.

[Note: Under the Current Retail Determination, maximum water supply service charges are set under clauses 3, 4 and 5 of schedule 1.]

4 Maximum Prices for On-Selling Water Services – Reasonably Efficient Competitor Costs

The Reasonably Efficient Competitor Costs for an On-Selling Water Service supplied to a Wholesale Customer at a Wholesale Connection Point in a Period is the amount calculated as follows:

$$C = (C_{Retail} \times n_{Properties} + C_{Reticulation} \times L_{Pipeline}) \times CPI_{Period}$$

Where:

C is the Reasonably Efficient Competitor Costs for that On-Selling Water Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period;

C_{Retail} is the amount, in dollars per Property, specified in Table 1;

$n_{Properties}$ is the mean number of Downstream Properties in that Period;

$C_{Reticulation}$ is the amount, in dollars per kilometre, specified in Table 1;

$L_{Pipeline}$ is the mean total length of pipe, in kilometres, that is in that Period:

- (a) operated by a Network Operator; and
- (b) used to convey water from Water Infrastructure owned by Hunter Water to Downstream Properties in that Period; and

CPI_{Period} is the CPI Factor for that Period.

Table 1

Table 1 Reasonably Efficient Competitor Costs – On-Selling Water Services

C_{Retail} (\$/Property)	$C_{\text{Reticulation}}$ (\$/km)
\$131.58	\$4,023.90

Schedule 2 On-Selling Sewerage Services

1 Application of schedule

This schedule 2 sets the methodology for fixing the maximum prices that Hunter Water may levy for supplying On-Selling Sewerage Services.

[Note: The maximum price that Hunter Water may charge for On-Selling Sewerage Services (which can include both sewerage and trade waste services) is calculated in accordance with a retail-minus methodology (see clause 2).

The “retail” component is calculated based on the prices that Hunter Water would be able to charge the Retail Supplier’s end-use customers under its prevailing Retail Determination if Hunter Water supplied those customers (see clause 3). This includes the sum of:

- the sewerage usage charges;
- the sewerage service charges; and
- the trade waste charges (other than certain specified charges, eg. charges for administering agreements for trade waste services),

that Hunter Water would be able to charge end-use customers if it supplied those end-use customers directly.

This retail component is then reduced by an amount representing the costs of a “reasonably efficient competitor”, calculated based on the number of end-use customers and, where applicable, the length of reticulation pipeline Upstream of Hunter Water’s Sewerage Infrastructure that is used to serve end-use customers (see clause 4 and Table 2).]

[Note: This schedule applies where Hunter Water supplies sewerage or trade waste services to a Recycled Water Plant, provided the service meets the definition of an “On-Selling Sewerage Service”.]

2 Maximum prices for On-Selling Sewerage Services

The maximum price that Hunter Water may levy for supplying an On-Selling Sewerage Service to a Wholesale Customer at a Wholesale Connection Point in a Period is the amount calculated as follows:

$$Price = R - C$$

Where:

Price is the maximum price that Hunter Water may levy for supplying that On-Selling Sewerage Service to that Wholesale Customer at that Wholesale Connection Point in that Period;

R is the Retail Component for that On-Selling Sewerage Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period, calculated in accordance with clause 3.1; and

C is the Reasonably Efficient Competitor Costs for that On-Selling Sewerage Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period, calculated in accordance with clause 4.

[**Note:** Where the maximum price calculated under this clause would be negative, see clause 2.4(c) of schedule 5.]

3 Maximum prices for On-Selling Sewerage Services – Retail Component

3.1 Calculation of Retail Component

- (a) The Retail Component for an On-Selling Sewerage Service supplied to a Wholesale Customer at a Wholesale Connection Point in a Period is the amount calculated as follows:

$$R = \sum SUC + \sum SSC + \sum TWC$$

Where:

R is the Retail Component for that On-Selling Sewerage Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period;

$\sum SUC$ is the sum of the Sewerage Usage Charges, determined in accordance with clause 3.2, for the Upstream Properties in that Period;

$\sum SSC$ is the sum of the Sewerage Service Charges, determined in accordance with clause 3.3, for the Upstream Properties in that Period; and

$\sum TWC$ is the sum of the Trade Waste Charges, determined in accordance with clause 3.4, for the Upstream Properties in that Period.

- (b) The **Upstream Properties**, in relation to a Wholesale Customer and a Wholesale Connection Point, are the Properties:
- (1) that are Upstream of the Wholesale Connection Point; and
 - (2) to which:
 - (A) that Wholesale Customer; or
 - (B) a Retail Supplier for which that Wholesale Customer is an On-Supplier, supplies:
 - (C) sewerage services (the **Retail Sewerage Services**); and/or
 - (D) trade waste services (the **Retail Trade Waste Services**).

3.2 Sewerage Usage Charges

The Sewerage Usage Charge for a Property in a Period is equal to the maximum sewerage usage charge that Hunter Water would be able to charge (if any) under the Retail Determination for supplying the Retail Sewerage Services, if Hunter Water supplied the Retail Sewerage Services.

[Note: Under the Current Retail Determination, maximum sewerage usage charges are set under clause 7 of schedule 2.]

3.3 Sewerage Service Charges

(a) The Sewerage Service Charge for a Property in a Period is equal to the maximum sewerage service charge and, where applicable, any environmental improvement charge that Hunter Water would be able to charge under the Retail Determination for supplying the Retail Sewerage Services, if Hunter Water supplied the Retail Sewerage Services.

(b) For the avoidance of doubt, where:

- (1) the Wholesale Customer or other Retail Supplier supplies the Retail Sewerage Services to a Property for only part of a Period; and
- (2) for that reason, the amount that Hunter Water would be able to charge under the Retail Determination for supplying the Retail Sewerage Services would be reduced,

then the Sewerage Service Charge for that Property in that Period is reduced accordingly.

[Note: Under the Current Retail Determination, maximum sewerage service charges are set under clauses 3, 4, 5 and 6 of schedule 2.]

3.4 Trade Waste Charges

(a) Subject to paragraph (b), the Trade Waste Charge for a Property in a Period is equal to the aggregate of the fees and charges that Hunter Water would be able to charge under the Retail Determination for supplying the Retail Trade Waste Services, if Hunter Water supplied the Retail Trade Waste Services.

(b) For the purposes of paragraph (a), the Trade Waste Charge for a Property does not include any fee or charge that Hunter Water would otherwise be able to charge for:

- (1) establishing, administering, renewing or varying a Trade Wastewater Agreement for the supply of trade waste services to that Property;
- (2) conducting inspections in relation to trade waste services supplied to that Property; or
- (3) processing applications in relation to trade waste services,

if it supplied the Retail Trade Waste Services.

[Note: Under the Current Retail Determination, agreement charges are set under clauses 2(a) and (b), 3(a) and (b), 4(a) and (b), and 5(a) and (b) of schedule 4 and Table 19. Other Trade Waste Charges are set under clauses 2(c) to (e), and 5(c) of schedule 4 and Tables 20 to 22.]

4 Maximum Prices for On-Selling Sewerage Services – Reasonably Efficient Competitor Costs

The Reasonably Efficient Competitor Costs for an On-Selling Sewerage Service supplied to a Wholesale Customer at a Wholesale Connection Point in a Period is the amount calculated as follows:

$$C = (C_{Retail} \times n_{Properties} + C_{Reticulation} \times L_{Pipeline}) \times CPI_{Period}$$

Where:

C is the Reasonably Efficient Competitor Costs for that On-Selling Sewerage Service supplied to that Wholesale Customer at that Wholesale Connection Point in that Period;

C_{Retail} is the amount, in dollars per Property, specified in Table 2;

n_{Properties} is the mean number of Upstream Properties in that Period;

C_{Reticulation} is the amount, in dollars per kilometre, specified in Table 2;

L_{Pipeline} is the mean total length of pipe, in kilometres, that is in that Period:

- (a) operated by a Network Operator; and
- (b) used to convey wastewater or trade waste from Upstream Properties to Sewerage Infrastructure owned by Hunter Water; and

CPI_{Period} is the CPI Factor for that Period.

Table 2

Table 2 Reasonably Efficient Competitor Costs – On-Selling Sewerage Services

C_{Retail} (\$/Property)	$C_{\text{Reticulation}}$ (\$/km)
\$81.60	\$7,896.84

Schedule 3 Drinking Water Top-Up Services

1 Application of schedule

This schedule 3 fixes the maximum prices that Hunter Water may levy for supplying Drinking Water Top-Up Services.

[Note: Where the water supplied is used for drinking water top-up of a Recycled Water scheme, the non-residential price set in the prevailing Retail Determination applies (see clause 2).

Where Hunter Water supplies water at a connection point and that water is used both for drinking water top-up of a Recycled Water scheme and for on-selling of water to end-use customers, then schedule 1 applies to On-Selling Water Services and schedule 3 applies to Drinking Water Top-Up Services.]

2 Maximum prices for Drinking Water Top-Up Services

- (a) The maximum price that Hunter Water may levy for supplying a Drinking Water Top-Up Service at a Wholesale Connection Point is the maximum price that Hunter Water would be able to levy for supplying that Drinking Water Top-Up Service under the Retail Determination if:
- (1) that Drinking Water Top-Up Service were taken to be the service of supplying Filtered Water to a Metered Non Residential Property;
 - (2) that Wholesale Connection Point were taken to be a Metered Non Residential Property; and
 - (3) the Drinking Water Top-Up Meter for the relevant Recycled Water System were taken to be the Meter for that Metered Non Residential Property.

[Note: Under the Current Retail Determination, the maximum price for supplying Filtered Water to a Metered Non Residential Property (including both water usage charges and water service charges) is set under clauses 5 and 6 of schedule 1.]

- (b) If:
- (1) Hunter Water supplies both:
 - (A) a Drinking Water Top-Up Service; and
 - (B) an On-Selling Water Service,to a Wholesale Customer at the same Wholesale Connection Point in a Period; and
 - (2) there is no Drinking Water Top-Up Meter for the relevant Recycled Water System,

then for the purposes of calculating the maximum price that Hunter Water would be able to levy for supplying that Drinking Water Top-Up Service under the Retail Determination, the applicable maximum water supply service charge is that for a Metered Non Residential Property that is serviced by a 100mm Meter.

Schedule 4 Recycled Water Plant Waste Disposal Services

1 Application of schedule

This schedule 4 fixes the maximum prices that Hunter Water may levy for supplying Recycled Water Plant Waste Disposal Services.

[**Note:** Where Hunter Water supplies sewerage or trade waste services to a Recycled Water Plant, and the plant is only used to supply Recycled Water services to end-use customers (as opposed to sewerage or trade waste services):

- the non residential price set in the prevailing Retail Determination applies for the sewerage services; and
- trade waste charges set in the prevailing Retail Determination apply for the trade waste services.

If Hunter Water supplies sewerage or trade waste services to a Retail Supplier's Recycled Water System, and the Retail Supplier supplies sewerage or trade waste services to end-use customers by means of that Recycled Water System, then Schedule 2 applies and not this schedule.]

2 Maximum prices for Recycled Water Plant Waste Disposal Service

The maximum price that Hunter Water may levy for supplying a Recycled Water Plant Waste Disposal Service at a Wholesale Connection Point is the sum of the following:

- (a) the maximum price that Hunter Water would, under the Retail Determination, be able to levy for supplying the sewerage services that form part of the Recycled Water Plant Waste Disposal Service if the Wholesale Connection Point were taken to be a Metered Non Residential Property; and
- (b) the maximum price that Hunter Water would, under the Retail Determination, be able to levy for supplying the trade waste services that form part of the Recycled Water Plant Waste Disposal Service.

Schedule 5 Definitions and interpretation

1 Definitions

1.1 Defined terms

In this determination:

Area of Operations means the area of operations referred to in section 16 of the Hunter Water Act.

Commencement Date has the meaning given in clause 3(c) of the Preliminary section of this determination.

CPI means:

- (a) the consumer price index, All Groups index number for the weighted average of eight capital cities as published by the Australian Bureau of Statistics; or
- (b) if the Australian Bureau of Statistics does not or ceases to publish the index, then CPI will mean an index determined by IPART.

CPI Factor means for a Period, CPI for the March quarter immediately preceding that Period, divided by CPI for the March quarter of 2016.

Current Retail Determination has the meaning given in clause 2(a) of the Preliminary section of this determination.

Downstream means, in relation to a Wholesale Connection Point:

- (a) where the service supplied at that Wholesale Connection Point is a water supply service – in the direction of flow along Water Infrastructure away from that Wholesale Connection Point and toward the Retail Customers; or
- (b) where the service supplied at that Wholesale Connection Point is a sewerage service or trade waste service – in the direction of flow along Sewerage Infrastructure away from the Retail Customers and toward that Wholesale Connection Point.

Downstream Property has the meaning given in clause 3.1(b) of schedule 1.

Drinking Water Top-Up Meter means, for a Recycled Water System, a Meter that measures the supply of water by Hunter Water to that Recycled Water System.

Drinking Water Top-Up Service means a Monopoly Service that is:

- (a) a water supply service; and
- (b) supplied by Hunter Water to a Wholesale Customer; and

- (c) supplied to a Recycled Water System; and
- (d) used by that Retail Supplier to supply a Recycled Water service to Retail Customers; and
- (e) not an Existing Service; and
- (f) not supplied under a Negotiated Services Agreement.

Existing Service means a Monopoly Service supplied by Hunter Water to a Wholesale Customer, where Hunter Water commenced supplying that Monopoly Service to the Wholesale Customer prior to the Commencement Date.

Filtered Water means water that has been treated at a water filtration plant.

GST means the Goods and Services Tax as defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Hunter Water means Hunter Water Corporation, as defined in clause 1(b) of the Preliminary section of this determination, constituted under the Hunter Water Act.

Hunter Water Act means the *Hunter Water Act 1991* (NSW).

Infrastructure Service has the meaning given to that term in the WIC Act.

IPART means the Independent Pricing and Regulatory Tribunal of New South Wales established under the IPART Act.

IPART Act means the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW).

Meter means an apparatus for the measurement of water usage, and includes such an apparatus that can be read remotely.

Meter Reading Period has the meaning given in the Retail Determination.

Metered Non Residential Property has the meaning given in the Retail Determination.

Monopoly Service has the meaning given in clause 1(c) of the Preliminary section of this determination.

Negotiated Services Agreement means a written agreement between Hunter Water and a Wholesale Customer:

- (a) under which Hunter Water agrees to supply a Monopoly Service to that Wholesale Customer at a price that is not:
 - (1) the maximum price set out in this determination for that Monopoly Service; or
 - (2) a maximum price fixed in accordance with the methodology for fixing a maximum price set out in this determination for that Monopoly Service, as the case may be; and
- (b) which is entered into after the Commencement Date.

Network Operator means a person who is authorised under a licence or authorisation under the WIC Act to operate:

- (a) Water Infrastructure; or
- (b) Sewerage Infrastructure.

New Retail Determination has the meaning given in clause 2.7 of this schedule 5.

On-Selling Service means:

- (a) an On-Selling Water Service; or
- (b) an On-Selling Sewerage Service.

On-Selling Sewerage Service means a Monopoly Service that is:

- (a) a sewerage service or a trade waste service; and
- (b) supplied by Hunter Water to a Wholesale Customer at a Wholesale Connection Point; and
- (c) used by the Retail Supplier to supply a sewerage service or a trade waste service:
 - (1) within Hunter Water's Area of Operations; and
 - (2) to Retail Customers Upstream of that Wholesale Connection Point; and
- (d) not an Existing Service; and
- (e) not supplied under a Negotiated Services Agreement.

On-Selling Water Service means a Monopoly Service that is:

- (a) a water supply service; and
- (b) supplied by Hunter Water to a Wholesale Customer at a Wholesale Connection Point; and
- (c) used by the Retail Supplier to supply a water supply service (other than the supply of Recycled Water):
 - (1) within Hunter Water's Area of Operations; and
 - (2) to Retail Customers Downstream of that Wholesale Connection Point; and
- (d) not an Existing Service; and
- (e) not supplied under a Negotiated Services Agreement.

On-Supplier has the meaning given in clause 1.2 of this schedule 5.

Period means each 12 month period beginning on 1 July and ending on the following 30 June.

For the avoidance of doubt, where this determination is replaced in part, the new determination may stipulate the date on which a Period ends in so far as this determination is replaced.

Property has the meaning given to that term in the Retail Determination.

[Note: In the Current Retail Determination, “Property” is defined in schedule 7 to mean:

- (a) a strata title lot (other than utility lots within the meaning of section 39 of the *Strata Schemes (Freehold Development) Act 1973* (NSW));
- (b) a company title dwelling;
- (c) a community development lot;
- (d) a building or part of a building used, or available to be used, as a separate place of domicile or separate place of business, other than a building to which paragraphs (a) to (c) apply;
- (e) land (including vacant land and excluding exempt land);
- (f) a hotel or motel;
- (g) a backpackers hostel; or
- (h) a boarding house.]

Recycled Water means water that has been treated to enable its use for certain industrial, commercial and/or household applications, but is not intended to meet the standards for drinking water required by the National Health and Medical Research Council’s Australian Drinking Water Guidelines, as amended from time to time.

Recycled Water Plant means a water treatment facility that produces Recycled Water.

Recycled Water Plant Service means:

- (a) a Drinking Water Top-Up Service; or
- (b) a Recycled Water Plant Waste Disposal Service.

Recycled Water Plant Waste Disposal Service means a Monopoly Service that:

- (a) is a sewerage service or trade waste service; and
- (b) is supplied by Hunter Water to a Wholesale Customer; and
- (c) involves disposal of waste from a Recycled Water Plant used by that Retail Supplier to supply only a Recycled Water service, and that is not used by that Retail Supplier at any time to supply a sewerage or trade waste service; and
- (d) is not an Existing Service; and
- (e) is not supplied under a Negotiated Services Agreement.

Recycled Water System means a system for the production and supply of Recycled Water, and includes a Recycled Water Plant.

Retail Customer means a Property to which a Retail Supplier supplies a water supply service (including, for the avoidance of doubt, the supply of Recycled Water), sewerage service or trade waste service by means of Water Infrastructure or Sewerage Infrastructure.

Retail Determination means:

- (a) the Current Retail Determination; or
 - (b) a New Retail Determination,
- as the case may be.

Retail Sewerage Service has the meaning given in clause 3.1(b) of schedule 2.

Retail Supplier means a person who is authorised under a licence or authorisation under the WIC Act to provide:

- (a) water supply services by means of Water Infrastructure; or
- (b) sewerage services by means of Sewerage Infrastructure.

Retail Trade Waste Service has the meaning given in clause 3.1(b) of schedule 2.

Retail Water Service has the meaning given in clause 3.1(b) of schedule 1.

Sewerage Infrastructure has the meaning given to that term in the WIC Act.

Trade Wastewater Agreement means an agreement for the provision of trade waste services.

Upstream means in the direction opposite to Downstream.

Upstream Property has the meaning given in clause 3.1(b) of schedule 2.

Water Infrastructure has the meaning given to that term in the WIC Act.

Wholesale Connection Point means, for a Wholesale Service, a connection point at which Hunter Water supplies that Wholesale Service to a Wholesale Customer.

[**Note:** For situations where the same Retail Customer is Upstream (in the case of an On-Selling Sewerage Service) or Downstream (in the case of an On-Selling Water Service) of more than one Wholesale Connection Point, see clause 2.6 of this schedule 5.]

Wholesale Customer has the meaning given in clause 1.3 of this schedule 5.

Wholesale Service means:

- (a) an On-Selling Water Service;
- (b) an On-Selling Sewerage Service;
- (c) a Drinking Water Top-Up Service; or
- (d) a Recycled Water Plant Waste Disposal Service.

WIC Act means the *Water Industry Competition Act 2006* (NSW).

1.2 Meaning of On-Supplier

- (a) Subject to paragraph (b), **On-Supplier** means a person who supplies a water supply service, sewerage service or trade waste service to:

- (1) a Retail Supplier; or
 - (2) any other person who supplies any of those services as part of a supply chain to a Retail Supplier.
- (b) A person is an On-Supplier only if they supply the relevant service:
- (1) in the case of a water supply service, sewerage service or trade waste service, through a connection to Hunter Water's Water Infrastructure or Sewerage Infrastructure (as the case may be); and/or
 - (2) in the case of a sewerage or trade waste service, under a contract with Hunter Water for the disposal of waste.
- (c) An On-Supplier is an On-Supplier for a Retail Supplier, if that On-Supplier supplies a water supply service, sewerage service or trade waste service:
- (1) to that Retail Supplier; or
 - (2) to any other person who supplies any of those services as part of a supply chain to that Retail Supplier.

1.3 Meaning of Wholesale Customer

- (a) Where the term is used in relation to an On-Selling Service, **Wholesale Customer** means:
- (1) a Retail Supplier;
 - (2) a Network Operator; or
 - (3) any other person who is an On-Supplier.
- (b) Where the term is used in relation to a Recycled Water Plant Service, **Wholesale Customer** means:
- (1) a Retail Supplier; or
 - (2) a Network Operator.

[**Note:** The definition of "Wholesale Customer" in the draft Hunter Water Operating Licence for 2017-2022 covers only retail suppliers and network operators licensed under the WIC Act. For the purposes of On-Selling Services, the definition in this determination also includes "On-Suppliers", who receive a service from Hunter Water and on-supply it to a WIC Act retail supplier. An "On-Supplier" could be a person exempt from licensing requirements under the WIC Act.

For the purposes of the Recycled Water Plant Services, the definition of Wholesale Customer includes only WIC Act licensees.]

2 Interpretation

2.1 General provisions

In this determination, unless the contrary intention appears:

- (a) headings are for convenience only and do not affect the interpretation of this determination;

- (b) a reference to a schedule, clause or table is a reference to a schedule to, clause of or table in this determination unless otherwise indicated;
- (c) a construction that would promote the purpose or object expressly or impliedly underlying the IPART Act is to be preferred to a construction that would not promote that purpose or object;
- (d) words importing the singular include the plural and vice versa;
- (e) a reference to a law or statute includes regulations, rules, codes and other instruments under it and consolidations, amendments, re-enactments or replacements of them;
- (f) where a word is defined, other grammatical forms of that word have a corresponding meaning;
- (g) a reference to a day is to a calendar day;
- (h) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation), replacements and assigns;
- (i) a reference to an officer includes a reference to the officer which replaces it or which substantially succeeds to its powers or functions; and
- (j) a reference to a body, whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

2.2 Explanatory notes, simplified outline, examples and clarification notices

- (a) Explanatory notes, simplified outlines and examples do not form part of this determination, but in the case of uncertainty may be relied on for interpretation purposes.
- (b) IPART may publish a clarification notice in the NSW Government Gazette to correct any manifest error in or to clarify any part of this determination. Such a clarification notice is taken to form part of this determination.

2.3 Prices exclusive of GST

Prices or charges specified in this determination do not include GST.

2.4 Billing

- (a) For the avoidance of doubt, nothing in this determination affects when Hunter Water may issue a bill or invoice to a customer for prices or charges under this determination.
- (b) Hunter Water must levy any charge applying in this determination on a pro-rata basis, where:
 - (1) a Meter Reading Period traverses more than one Period; or
 - (2) a billing period covers part of a Period.

- (c) Where a maximum price for an On-Selling Service, supplied to a Wholesale Customer in a Period calculated under:
 - (1) clause 2 of schedule 1; or
 - (2) clause 2 of schedule 2,would be less than zero, the maximum price for that On-Selling Service supplied to that Wholesale Customer in that Period is taken to be zero.

2.5 Apparatus for checking quantity of water used

For the purposes of this determination, where an apparatus is used by Hunter Water to check on the quantity of water use recorded by a Meter, that apparatus will not fall within the definition of a Meter.

2.6 No double counting of Retail Customers

- (a) Where:
 - (1) Hunter Water supplies a Wholesale Service that is used by a Retail Supplier to supply water supply services to a Retail Customer; and
 - (2) that Retail Customer is located Downstream of two or more Wholesale Connection Points,

then, for the purposes of calculating the maximum price that Hunter Water may levy for supplying that Wholesale Service at those Wholesale Connection Points, that Retail Customer is to be included, in the calculation of any price or quantity, for only one of those Wholesale Connection Points.

- (b) Where:
 - (1) Hunter Water supplies a Wholesale Service that is used by a Retail Supplier to supply sewerage services or trade waste services to a Retail Customer; and
 - (2) that Retail Customer is located Upstream of two or more Wholesale Connection Points,

then, for the purposes of calculating the maximum price that Hunter Water may levy for supplying that Wholesale Service at those Wholesale Connection Points, that Retail Customer is to be included, in the calculation of any price or quantity, for only one of those Wholesale Connection Points.

2.7 Calculating prices under this determination where Retail Determination has been replaced

Where the Retail Determination has been replaced, in whole or in part, by another determination (the **New Retail Determination**) other than this determination, a reference in this determination:

- (a) to the Retail Determination is a reference to the New Retail Determination;
- (b) to a maximum price or charge that Hunter Water may charge under the Retail Determination for supplying a certain service is a reference to the maximum price or charge that Hunter Water may charge under the New Retail Determination for supplying the same service; and

- (c) to a term that is defined in the Retail Determination has the meaning given to that term in the New Retail Determination,
unless the New Retail Determination provides otherwise.

2.8 Calculating prices under this determination after 30 June 2021

- (a) To the extent that this determination has not been replaced by 30 June 2021, the maximum prices that Hunter Water may charge for a Wholesale Service under this determination continue to apply beyond 30 June 2021.
- (b) For the avoidance of doubt, where this determination refers to a price or charge set under the Retail Determination, maximum prices that Hunter Water may levy for a Wholesale Service under this determination are to be calculated using the price or charge set under the Retail Determination at that time.

2.9 Calculating Reasonably Efficient Competitor Costs where Period is less than 12 months

Where a Period is less than 12 months, then for the purposes of calculating the Reasonably Efficient Competitor Costs for a Wholesale Service supplied to a Wholesale Customer at a Wholesale Connection Point in that Period under:

- (a) clause 4 of schedule 1; or
(b) clause 4 of schedule 2,

the amount calculated using the formula in that clause is to be multiplied by the following:

$$\frac{n_{period}}{n_{year}}$$

Where:

n_{Period} is the number of days in that Period; and

n_{Year} is the number of days in the year ending 30 June in which that Period falls.

Schedule 6 Statement of reasons why IPART has chosen to set a methodology for fixing a maximum price

Under section 13A of the IPART Act, IPART may fix maximum prices, or may set a methodology for fixing maximum prices, for the Monopoly Services.

In this determination, IPART has set a methodology for fixing the maximum prices that Hunter Water may charge for:

- ▼ On-Selling Water Services; and
- ▼ On-Selling Sewerage Services.

IPART has set a methodology because it is impractical to make a determination directly fixing the maximum price for these On-Selling Services.

IPART's decision is to apply a retail-minus reasonably efficient competitor cost price for these On-Selling Services. A retail-minus reasonably efficient competitor cost price varies with:

- ▼ the number of end-use customers of each type and connection size;
- ▼ the total number of end-use customers served by the retail supplier; and
- ▼ the length of pipeline used to supply end-use customers.

It would be impractical to attempt to apply a retail-minus approach through a determination directly fixing a price, because such a price would not account for variations in the factors above. A methodology allows the necessary flexibility to apply a retail-minus approach that varies with the above factors.