

# **Submission to IPART's Draft Report for Hunter Pricing 25-30**

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## About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are marginalised and facing disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

## Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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# 1. Introduction

The Justice and Equity Centre (JEC) welcomes the opportunity to respond to IPART's *Draft Report for Hunter Water Prices 25-30* and broadly supports the decisions and recommendations of the Draft.

Hunter Water has demonstrated a high level of commitment and success in developing a proposal grounded in the values of the community and reflecting their express preferences. While we have identified areas of improvement, our broad support for the Draft is in large part influenced by the good work Hunter Water have exhibited.

Notwithstanding our perspective on the Draft, the JEC continues to have questions regarding whether consumers are best placed to bear the full cost of major investments upgrading and expanding water infrastructure. While these issues are more acute for other water providers, there are increasingly apparent questions as to what is a fair share of costs for consumers and how do we support necessary investment while ensuring water services remain affordable over the coming decades.

We have observed consistent consumer and community angst – including during Hunter Water's engagement as part of this process – in response to the realisation that the community carry the full cost of growth in infrastructure investment, even where this investment is a direct result of government policy. The community views these investments (such as the investment in Belmont desalination) as 'government policy' and struggle to understand why their cost is recovered on bills, rather than the Government budget. Balancing appropriate investment and risk management with ongoing equity and affordability of water services for households over the short and long term is a key challenge considered as part of this process. Regardless, the new regulatory framework, in prioritising community values and decision-making, has a challenge to consider how to integrate decisions which are driven by Government policy and what impact this has on the intent to respond to consumer and community preferences.

Our submission to the Draft provides feedback on aspects of the overall framing of the Draft Report, particularly regarding affordability and the level of choice actually available to stakeholders in relation to capital expenditure decisions. This is followed by feedback on particular Draft Decisions.

## 2. Feedback on the framing of the Draft

### 2.1 Capital expenditure and consumer choice

At the outset we recognise IPART's extensive commentary regarding assessment of Hunter Waters' Capital Expenditure (CAPEX) and support a robust assessment of the prudence and efficiency of that CAPEX being the basis of a final determination. We are not in a position to offer detailed commentary on the merits of IPART's draft decision. We do however raise the following questions in relation to how decisions have been presented, and to what degree consumers have been (and are) able to influence them.

## Presentation of Belmont desalination and other CAPEX decisions

The Draft seeks feedback on the ‘balance’ struck in IPART’s decision on major capital expenditure projects in Hunter Water’s proposal. The Draft asks about the decision to proceed with Belmont as opposed to previously identified investments which have been ‘deprioritised’ for this period, in support of affordability. We question whether this presentation of the ‘trade-off’ is accurate. It is our understanding that the upgrade of the Burwood Wastewater treatment plant and the construction of the Belmont desalination plant are committed projects resulting from Government planning and policy processes. If this is the case, we question whether it is reasonable to present them as able to be ‘traded off’ against other investments at this stage. Further, we would be concerned if these investments were presented as resulting from a ‘consumer choice’.

The Draft discussed a range of issues relating to the potential need for and value of the desalination plant<sup>1</sup>. These are valid considerations and reflect issues and concerns that were raised by the JEC during the Lower Hunter Water Security Planning (LHWSP) process. Indeed, at the time the JEC provided feedback that the LHWSP process did not seem to demonstrate responsiveness to community input in relation to the Belmont desalination plant<sup>2</sup>.

The decision to proceed with the Belmont desalination plant was (reasonably, in our understanding) presented to the community by Hunter Water during engagement as an irrevocable decision resulting from government policy determined through this Lower Hunter Water Security Planning process (LHWSP). That is, the community was given the very clear indication that this project was proceeding and that there was no scope to do otherwise. Much effort was made to ensure the community correctly understood this and why it was the case.

Notwithstanding our concerns with the prior LHWSP process confirming the construction of the desalination plant, the process undertaken by Hunter Water for their Pricing Proposal offered no opportunity (and no indication of the possibility) to alter that decision. Indeed, it did not indicate that it was potentially in tension with other investment decisions. That is – it did not present proceeding with Belmont as being a trade-off over other priorities as the Draft implies. The JEC does not consider this an unreasonable reflection on Hunter Water. However, IPART’s discussion in the Draft suggests a ‘trade-off’ which, to our knowledge, is not actually possible.

While we may, in isolation, agree with Houston Kemps assessment of the relative risks the Belmont plant is responding to, this is an assessment critiquing a decision already made and we query the value of this at this stage, where the Belmont plant has been regarded a fully committed project.

## Considering other CAPEX ‘on its own merits’

The Draft discusses other capital expenditure which has been delayed or de-prioritised ‘in preference’ to Belmont. The JEC is not able to offer a direct comment on the prudence of this and refer to our initial submission. However, given the apparent status of the Belmont plant as discussed above, we consider it may be more appropriate to consider the ‘other’ capital

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<sup>1</sup> IPART, 2025, [Draft Report: Review of prices for Hunter Water Corporation from 1 July 2025 – April 2025](#), pp. 50-51

<sup>2</sup> Public Interest Advocacy Centre, 2021, [Submission on the Draft Lower Hunter Water Security Plan](#), p.2

expenditure in isolation, on its 'own merits', rather than as an apparent trade-off against the Belmont plant. That is, determining whether those other projects stand as prudent and efficient investment decisions (or delays in decisions) in their own right. Put another way, absent the impact of Belmont, would these investments have been regarded as prudent/essential, or would they still have been able to be postponed.

The decisions on what Hunter Water has 'deprioritised' should stand on their own merits and be assessed on those merits as to their prudence and efficiency. To the degree that investment which would otherwise have been deemed necessary and in line with community preferences has been avoided or deprioritised in favour of the Belmont plant, IPART should consider whether this is reasonable. While we make no assumptions as to whether this is the case, we would be concerned if the Hunter community was assuming a higher degree of risk to water services than they would choose, as a result of expenditure on Belmont they did not have an opportunity to meaningfully influence. In any case we support a robust assessment by IPART in this matter.

### **Water security should not be regarded as a 'trade-off'**

In the discussion on capital expenditure, IPART suggests there is a potential 'trade-off for consumers between investment in Belmont and other deprioritised capital works<sup>3</sup> (largely related to maintaining water quality and system reliability). Given that Belmont has been presented as a measure of water 'security' (particularly in relation to drought) this would suggest it is possible to trade security off against quality or reliability. We are concerned that this implies the community can make fundamental trade-offs between the security, quality, affordability and reliability of essential water services.

Minimum acceptable standards in water security and quality, and the levels of investment and expenditure required to sustain them should be determined by 'community need'. That is, what is required to meet standards of water safety, security, and quality. Unlike reliability and affordability, these aspects cannot be traded off against each other or other aspects (that is, you cannot allow unsafe water provision in order to ensure water security or affordability). Trade-offs can and should occur for elements subject to consumer preference, such as affordability and reliability, where the community can determine they would prefer to take more risk that reliability (i.e. continuity) of the water supply may be more at risk in some circumstances in order to ensure lower costs to consumers. Crucially, these trade-offs are only possible when other aspects are already determined 'objectively.' That is, the community can be confident that water security, safety and quality will continue to meet community needs.

We understand that these questions and how they are resolved through interaction between community engagement and other regulatory settings and requirements, are relatively new results of the regulatory framework. They are also extremely complex. However, it is critical to ensure the final decision in this case appropriately presents decisions and the principles and processes which underpin them. We recommend IPART provide further clarity in its final decisions regard how the final decision was reached, including a reasonable reflection of what role consumers had (and did not have) in influencing it.

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<sup>3</sup> Ibid, p.48

## 2.2 Considering affordability in the appropriate context

In our response to the Pricing Proposal<sup>4</sup>, the JEC highlighted how the cost of utilities needs to be considered as an integral part of the wider essential cost of housing, rather than in isolation as a stand-alone budget item for households. While the Draft contains significant discussion of affordability, it only does so in relation to a 3% benchmark. That is, the Draft considers the cost of water in isolation, relative to household income. We strongly encourage IPART to expand analysis to include consideration of the full context of water bill impact on households.

Water and energy costs are integrated, essential costs required to maintain a home. Households are broadly considered to be in housing stress if more than 30% of their disposable income is spent on mortgage or rent. This is currently a reality for many Australians, particularly those on fixed or lower incomes, where it is common for housing costs to represent upwards of 50-60% of disposable income. The impact of changes in household water costs need to be considered in this context.

The 3% figure is relevant, but not sufficient. Considering essential service bills in the context of how costs manifest and impact households in NSW is critical when using international comparisons, because:

- Housing costs in Australia (particularly NSW) are significantly higher as a proportion of disposable income than many comparator countries.<sup>5</sup>
- For many disadvantaged NSW households' energy costs are also higher than some comparator countries.<sup>6</sup>
- Accordingly, water costs, seen in conjunction with these considerations, could make up a much smaller % of disposable income while being 'unaffordable' or having a relatively greater material impact on affordability. For people in housing stress, every extra % of essential housing costs (including energy and water) in excess of 30% - and any change in those costs - has a material and relatively larger impact on the household.
- More broadly, the 'lumpy' nature of water bills also magnifies their impact relative to their quantum. That is, an amount which may appear to be a relatively small % of annual disposable income, coming in a single quarterly amount, has a disproportionate impact. This is a result of it being likely to represent a significant proportion of (or exceed) the household disposable income for that period (typically a fortnight). For example, a total annual bill of \$1200 may represent 1.6% of the average earnings of \$72,800<sup>7</sup>, but the quarterly bill of \$400 represents 7% of the equivalent monthly income, and nearly 30% the equivalent weekly wage. Given many households have limited or no savings on hand for such payments<sup>8</sup>,

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<sup>4</sup> The Justice and Equity Centre, 2024, [Submission to Hunter Water 25-30 Pricing Proposal](#), p.12

<sup>5</sup> Center for Demographics and Policy, Chapman University, 2024, [Demographia: International Housing Affordability](#)

<sup>6</sup> ACOSS, 2021, [The Economic Impacts of the National Low-Income Energy Productivity Program](#)

<sup>7</sup> ABS <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/employee-earnings/latest-release#weekly-earnings>

<sup>8</sup> NCOS, 2024, [Impossible Choices: Decisions NSW communities shouldn't have to make](#), pp.50-54

resorting to credit, payment smoothing or accruing debt becomes necessary and the impact of the bill is significantly larger than it would appear.

We recommend IPART expand its consideration of affordability to incorporate these factors in determining the actual impact of changes in essential water bills for Hunter households. At the very least, we recommend housing costs be recognised as a 'qualifier' for how any relative change increase in bill is regarded.

### **3. Direct Response to Draft Decisions & Recommendations**

#### **3.1 Assessment of Hunter Water's pricing proposal**

The JEC broadly supports assessing Hunter Water's Pricing Proposal as advanced. However, we would support Hunter Water providing further guidance on where 'regulatory reward' funds will be directed. Given these funds represent a substantial annual amount, it has a material impact on Hunter households, and we would encourage Hunter Water to seek ways to use this to provide value or benefit to households.

#### **3.2 Capital expenditure**

As discussed in section 2.1, the JEC considers that there are outstanding questions regarding capital expenditure. In particular,

1. Is it appropriate for the full costs of projects required by government to be recovered through consumer bills?
2. Would the CAPEX projects which were deprioritised in this Pricing Proposal have been considered necessary and prudent if the desalination plant and the wastewater treatment plant upgrade not been required? I.e. were they assessed on their own merit?

We support decisions that prioritise affordability and agree that Hunter Water should respond to a strong community preference to do so. However, the long-term sustainability and affordability of water services is also a critical priority, supported by the Hunter community. We would be concerned if affordability over the 5-year period is compromising long-term sustainability and reliability of Hunter Water services, by deprioritising investment otherwise deemed 'necessary'. We would appreciate further clarity from IPART and Hunter Water as to the implications of the Draft decision and the impact on the level of risk Hunter Water is assuming. We would be particularly keen to see further detail regarding how Hunter Water could deal with a material reprioritisation of investment if 'deprioritised' projects are actually required over the course of this period at the same time as other capital projects proceed.

The JEC recommends that IPART, the NSW Government, NSW water utilities, including Hunter Water, and consumer advocates work together over the coming pricing period to explore wider issues of investment in water infrastructure and how it can be consistently, and more sustainably dealt with over coming periods. We consider this a relevant and growing priority for all water service providers regulated by IPART, as well as local water utilities supported by the NSW Government.



### 3.3 Consumer Engagement

The JEC has been deeply involved in Hunter Water's process of engaging with its community and developing its Pricing Proposal. The JEC is a member of Hunter Water's Customer and Community Advisory Group (CCAG) and the Customer Engagement Advisory Panel (CEAP). This engagement has largely been undertaken as part of the JEC's role as a consumer engagement expert and advocate for the interests of NSW households, and in service of our objective to ensure decisions which impact NSW household access to water services are grounded in, and shaped by, robust engagement with consumers and the community.

We reiterate our prior assessment of Hunter Water's engagement. While highlighting some potential flaws and opportunities for improvement<sup>9</sup> which will be critical for future periods, we broadly support Hunter Water's approach as representing robust, good practice. In this context we do not agree with IPART's broad recommendation that Hunter Water should engage on costs regardless of the level of influence<sup>10</sup> consumers will have on the decision. This seems to imply that Hunter Water did not strike an appropriate balance, and that they should have spent more time discussing and consulting on the broad issue of 'cost' with the community.

We observed significant effort (and time) taken to ensure the community understood the wider cost circumstances and drivers, how they were caused and where current decisions fit into the ongoing accumulation of these costs. This included a realistic and accurate assessment of where consumer values and preferences could influence the proposal, and opportunities to question any aspect of cost. This approach explicitly involved ensuring that all questions and issues regarding costs were answered in the course of the engagement process. Hunter Water's approach resulted in reprioritising their decisions and increasing the weight placed on affordability relative to risk in their Pricing Proposal.

Accordingly, we caution against any encouragement for Hunter Water to substantially alter their approach and recommend IPART seek further information from Hunter Water regarding their engagement on cost, how the focus of engagement was determined and undertaken, and how this has influenced decision-making.

#### Addressing issues relating to pricing

The JEC provided detailed feedback on Hunter Water's engagement on prices in our submission to the Pricing Proposal. Regarding the concerns discussed in IPART's Draft<sup>11</sup>, we reiterate our observations that while the engagement on pricing that was undertaken was well structured and responded to input from stakeholders, this was an area where more focus, more time and a more robust process would have enabled examination of important pricing issues.

Many of the observations IPART makes in the Draft regarding considerations and complications in relation to pricing, are evidence of the need for more robust engagement on the topic, and demonstrations of the weaknesses the JEC noted in our submission.

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<sup>9</sup> The Justice and Equity Centre, 2024, [Submission to Hunter Water 25-30 Pricing Proposal](#), pp. 4-11

<sup>10</sup> IPART, 2025, [Draft Report: Review of prices for Hunter Water Corporation from 1 July 2025 – April 2025](#), p.29

<sup>11</sup> IPART, 2025, [Draft Report: Review of prices for Hunter Water Corporation from 1 July 2025 – April 2025](#), pp.33-34

In the context of the limitation of the engagement undertaken, the JEC broadly agrees with the balance struck by Hunter Water in their pricing decision. We regard it as an appropriate reflection of the complexity of the issue and the need to compromise competing views in the absence of a clearer community expression of preference.

### **Impacts on landlords and tenants**

We note specific additional feedback on elements in the Draft relating to tenancy. In particular, comments from landlords that they cannot sustain the cost of water availability charges should not be regarded as reasonable or credible. Ensuring access to an efficient water supply as part of receiving income from a property is a requirement in relevant legislation and regulation of tenancy and is wholly appropriate. Given consistent evidence that rental properties often do not actually meet this requirement, any reduction of the responsibility on landlords would be unreasonable and unwarranted.

Increasing the proportion of usage charges may, overall, be the preference of the community. However, expressing this preference does not negate or override the implications for tenants. Tenants experience a structural disadvantage in their inability to control the efficiency of their water fixtures, and their lack of agency to resolve water leakage and other issues. The proposed pricing will result in increases to tenants' water bills, which will have a disproportionate impact given their inability to mitigate those increases.

In this context the JEC reiterates our recommendation that more consideration be given to targeted water affordability supports for renters. This should be in addition to reforms enabling direct billing of usage charges to tenants, and a more robust direct relationship between water businesses and tenants.

JEC recommends that Hunter and Sydney Water be required to pursue measures to provide information and support to households (particularly tenants) to:

- Understand how to safely and healthily save water;
- understand the actual price savings of taking particular actions;
- access supports for households – rather than requiring households to self-advocate for assistance these measures should be provided more proactively; and
- have usage monitored with friendly communications to check in with households who are low users and/or who suddenly reduce their usage.

## **3.4 Performance and accountability**

The JEC strongly supports Hunter Water developing and reporting against a robust framework of performance measures derived from and related to outcomes which are meaningful to consumers. We support the IPART guidelines on how these measures should be derived, but consider there are additional principles which should inform how these outcomes are measured and reported on, including:

- They should be 'objective' measures, that is they should be comparable and assessable against previous results for Hunter Water as well as results for other providers. This means they should involve minimal aspects of subjectivity (such as perception, satisfaction). These

are extremely contingent upon the perspective, experience and expectations which cannot be 'equalised' or adjusted for context.

- They should be clearly related to actual outcomes. They should stand on their own as a tangible measure of the outcomes being experienced in the performance area, not perceptions of those outcomes. Similarly, they should be outcomes which are controllable by Hunter Water and able to be clearly linked to Hunter Water's actions.
- They should be related to 'improvement'. Targets should be distinguishable in that they encourage improved or stretch performance. Targets should not involve 'maintaining' a status quo outcome or performance. The exception is where there is a qualitative difference in the circumstances in which that outcome is achieved – i.e. better performance with the same resources/inputs or the same/better performance with less or different resources.

This principle relates to fundamental consumer preferences and trade-offs that should be undertaken as part of engagement which shapes these outcomes – that is, if consumers prefer improved performance above a baseline, the measures should reflect this. If consumers are happy with performance but prefer a greater focus on efficiency, performance measures should be framed at measuring the maintenance of performance as costs are reduced or practices changed.

- Targets and performance measures should not relate to aspects which are already required by law or regulation unless they involve setting a level of performance in excess of what is required by law or regulation. For example, water quality performance and targets should not relate to compliance with drinking water standards where this is a requirement and a condition of the licence. A water quality performance related to standards may be setting a target above performance acceptable or specifically targeting areas where non-performance may exist.

While a comprehensive framework of performance and outcome measures and indicators may also include reporting on regulated or required areas of performance (indeed we encourage businesses to report consistently in a consolidated, publicly accessible form) they should not be regarded as performance measures developed for the specific purpose of reporting to the community on delivery of performance against the pricing proposal.

## **Improving performance measures and targets**

The JEC broadly supports IPART's Draft Decision 22 to accept Hunter Water's performance outcomes, measures and targets with some modifications. We detail below our own perspective on what modifications should be considered. At the outset we note that evolution of performance targets and reporting should be considered as 'iterative' and an area of constant evolution. Our comments should be considered in this context.

Table 10.1 in the Draft broadly represents the priority performance outcome areas expressed by the community through the pricing proposal engagement, and against which performance should be reported. The JEC recommends these outcomes should all be framed in the same language relating to 'water services' for clarity and consistency (e.g. High-quality water services, affordable water services, secure water services, environmentally sustainable water services, community

focussed water services, Water services that work for customers).

While the outcomes included in the table align with consumer preferences and robust performance reporting, we contend the measures and targets under each of these outcome areas mostly do not align with the principles above. In many cases the measures are target are not:

- objective measures;
- actual outcomes;
- additional to requirements; or
- 'targets' relating to improvement in performance.

### **High quality water services**

High quality water services is an appropriate outcome, but there is scope for measures and targets to be expanded and improved. Compliance with guidelines is a requirement and the proposed target involves an apparent decrease in performance, which does not reflect consumer expectations for outcomes in water quality.

Additional measures of quality, providing scope for more detail on where quality is being improved and where challenges to existing quality standards will be met, are required. The JEC agrees with the targets related to accelerating the reduction in repeat service issues. However, performance measures should include tracking outcomes for those experiencing service issues in both absolute number, and in proportion of total customers. For instance, number of repeat service issues by category. Together with the proposed measure this provides a clear indication of the 'issue' and its extent, and how Hunter Waters actions are progressing in addressing quality.

### **Affordable water services**

The "Value for money, affordable" measures included in the Draft are not objective and should be broadened and made more 'objective'. Surveys of 'value' are not meaningful when they cannot be based on an objective, relative assessment by respondents. Value is an inherently subjective concept and is one that varies between people and over time according to subjective criteria which are not apparent to the surveyor. This is an inherently poor basis for an important performance measurement.

We recommend a change to 'affordable water services' and focusing on measures that track how well Hunter Water is supporting the community to afford water and where there are clear indications that issues with affordability are occurring. Ideally these outcome measures should be consistent, regulated reporting requirements that cover all water utilities in NSW. In absence of these, IPART can (and should) require Hunter Water (and Sydney Water) to report on consistent affordability measures and outcomes such as:

- The median, average and range of water related debts (generally, and for those in support/assistance programs)
- Number of customers with accumulated arrears/debt (by age – 30/60/90/90+ days)
- Number of restrictions due to non-payment
- Number of customers in payment support programs
- Numbers of customers who exited customer support programs 'successfully'
- PAS and other assistance provided (in number of customers and total \$)

### **Secure water services**

The JEC agrees with IPART that the measures and targets for this outcome need to be improved and focus more appropriately on Hunter Water's performance in this area. The JEC regards leakage as being more relevant to efficiency, sustainability or conservation than water security. If leakage is retained as a measure of security, it needs to be augmented with other measures which together provide a picture, both of the security of water services, and track Hunter Waters performance in supporting it. These could include:

- Rain independent supply as a % of overall supply
  - Water usage per connection/day (with a target related to matching sustainable supply with demand)
  - Average days of water supply remaining at average usage over the period.
- A measure of this nature would relate directly to the question of 'security' and could then be read in conjunction with leakage and other figures which relate to Hunter Water's action to support and improve security.

### **Environmentally sustainable water services**

The JEC agrees with IPART that the measures and targets presented are not the most meaningful for the outcome area and need to be upgraded and/or expanded. Beaches are not a good measure of environmental performance as Hunter Water could have poor environmental performance without impacting beaches or have good practices but still see beaches breach the target.

We agree more direct performance should be tracked. As per our previous comments, if these include performance measures that are required by law or regulation, targets and measures should seek to 'exceed' requirements. We recommend adding:

- measures relating to significant discharge or overflow/pollution events (number according to category)
- monitoring water quality in water courses directly impacted by Hunter Water facility discharge at the point of discharge (rather than, or in addition to beach water quality monitoring).

Similarly, reduction of CO2 equivalents against baseline is a good measure but should be augmented with an active measure of actual carbon dioxide equivalent emissions from Hunter Water activity (being scope one and two emissions). This allows a clear accounting and reporting of remaining sources of emissions and its impact on the community.

### **Customer and community-focused water services**

The JEC recommends combining the "Great customer service" and "Community-focused" outcome areas, as there will likely be considerable overlap in meaningful measures and targets for these outcomes.

Regarding customer service, 'satisfaction', if used, must be augmented by actual objective outcome measures, as satisfaction measured through surveys is subjective and subject to a range of 'qualifiers' which limit its value and comparability. We recommend more meaningful measure include tracking performance on:

- Internal complaints (by type);

- EWON complaints (by type);
- Time taken to resolve complaints and service issues;
- Call wait times;

Similarly regarding ‘community’, surveys do not represent a meaningful measure on their own. More meaningful measures and targets are required, including:

- engagements with the community,
- support for community projects and priorities (in \$ or number).

In all cases targets should require a ‘stretch’ from existing or base performance, rather than a ‘maintenance’ except where they involve meeting the same target under materially different circumstances, as discussed earlier.

### 3.5 Price Setting

While we have already commented regarding our broad agreement with Hunter Water’s pricing decisions. In response to the consultation questions<sup>12</sup> posed by IPART,

1. The JEC agrees with applying more of the necessary price increases to usage charges.<sup>13</sup>
2. The JEC agrees that price increases should be gradually introduced as proposed.
3. The JEC supports a minimum service charge for multi-premise non-residential customers who share a common meter.

Notwithstanding these broad positions and agreement with Hunter Water’s decisions, we have specific concerns arising from the Draft and discussion on drought pricing and price elasticity.

#### 3.5.1 Drought Pricing

The JEC provided detailed feedback on drought pricing in our response to the Pricing Proposal. We were disappointed that this input was not noted or recognised in IPART’s Draft. We regard it as an important aspect of good engagement practice for all substantive consumer and stakeholder feedback to be recognised and responded to, even where decisions relevant to the feedback are not changing as a result. Elsewhere in the Draft, IPART demonstrated good practice in reflecting input from public forums and stakeholders. We recommend that IPART ensure its processes, particularly those relating to pricing and important consumer outcomes, recognise all substantive feedback from stakeholders regardless of whether it has influenced their decision.

We do not consider that the box 6.2 discussion in the Draft presented a full account of the issues and considerations in relation to drought pricing. In particular, it did not present alternative perspectives (such as those of the JEC) or implications and arguments against the chosen approach to drought pricing. IPART may reasonably make a determination that on merit, and balancing considerations, drought pricing should be retained, but it should do so (and be seen to do so) after open consideration of all the relevant factors and perspectives. This does not seem

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<sup>12</sup> IPART, 2025, [Draft Report: Review of prices for Hunter Water Corporation from 1 July 2025 – April 2025](#), p.75

<sup>13</sup> Noting our commentary and recommendations on assisting tenants who will be disproportionately impacted by this detailed-on pp.6-7 of this submission.



to be the case here and we recommend IPART re-evaluate this decision and its approach to how it was made and discussed.

The JEC disagrees with the continuation of drought pricing which, as we have highlighted previously, did not arise from a process grounded in consumer engagement. Since its introduction it has not been meaningfully tested with consumers. That includes this current process where Hunter Water did not examine the mechanism in detail, nor provide a robust explanation of its primary purpose. We contend this is not in keeping with the spirit and the requirements of the regulatory framework. If this approach to drought pricing is to continue it must be exposed to a meaningful consumer engagement process that is able to robustly consider drought pricing in the wider context of pricing structures, fairness, and equity.

We strongly disagree with the characterisation of drought pricing as a 'price signal' to encourage conservation. The primary purpose of drought pricing is the recovery of additional costs resulting from a drought. This includes adjusting for demand in periods of drought, where demand is below the forecast on which normal pricing is based. This raises the bizarre situation where people are not signalled in advance to conserve but encouraged to conserve and then charged extra partly as a result of their reduced demand.

Drought pricing, at least in part, represents a transfer of the management of risks relating to drought from the business to consumers. This is a fundamental 'trade-off' which only consumers can make – i.e. choosing to carry the impact of 'unmanaged risk' by being exposed to higher costs during drought or reducing their usage. The JEC consider it an unreasonable, or at least unjustified, assumption that consumers prefer to carry this risk. Further, this also involves an assumption that consumers have more capacity to manage that cost in the circumstance of drought, than Hunter Water has capacity to improve efficiency and undertake other measures to mitigate the risk of drought itself. We do not consider that to be a reasonable assumption.

We reiterate our recommendation to remove the drought pricing mechanism in favour of more durable pricing measures which are better aligned with consumer preferences and community values. At the very least, we recommend IPART present a more holistic consideration of drought pricing, including the concerns and issues raised by the JEC in this and previous submissions. Ideally this should include consideration of alternative means to deal with the risks and costs associated with drought periods.

### **3.5.2 Price Elasticity**

We do not support IPART's assessment that Hunter Water's demand forecasts may be inaccurate because they have not accounted for 'price elasticity'<sup>14</sup>. We consider there to be issues with the apparent assumption of price elasticity, and contend water is fundamentally not a price-elastic product given that it is:

- An essential service;
- A product where consumer use primarily responds to criteria which are not directly related to its price (i.e. households do not water the garden more because water is cheap this week,

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<sup>14</sup> IPART, 2025, [Draft Report: Review of prices for Hunter Water Corporation from 1 July 2025 – April 2025](#), p.67

and don't wash fewer clothes, drink less or shower less often because water is more expensive the next). Response to price in water is much more generalised and indirect;

- The level of price change in water is not sufficient to drive elastic response when connected to the fundamental purposes of water. Even a doubling of a water price (e.g. \$3-6/KL) involves a price change so small it cannot on its own enable the kind of dynamic assessment required to induce a price-based response. \$3 more for a thousand litres of usage cannot meaningfully be converted to an assessment of the relative value for the 36 litres in a 4-minute shower (11 cents). Paying 3 dollars more for a month of showers is not an assessment people can or do make, particularly when each instance responds to its own independent subjective criteria (i.e. being muddy after sport may require an 8-minute shower – a person will not remain dirty with a 4-minute shower because it will save 10 cents). In this context, dynamic price change is not a signal, it is merely a premium. More durable price 'signals' are required to support behaviour change.
- People's value for water, and assessments of cost impact are very generalised. Their judgements and decisions regarding water use are related more to:
  - community norms regarding the value of water and the need to conserve, and
  - household finances and the broad ability/inability to afford needs. Importantly this makes water affordability an indirect consideration that is a poor driver of short-term decision-making regarding more efficient water use.
- In both cases we do not see strong evidence (based on actual behaviour rather than modelling) that expected changes in prices for usage will have a substantive impact on demand, such as would need to be assumed for a 'drought price' to be an effective price signal. In this context we consider a drought price simply becomes a consumer 'penalty'.

If IPART is to require Hunter Water to 'include price elasticity' in the developments of its objectives for demand and its forecasting of demand, this process must reasonably take account of the considerations raised above and ensure that assumptions are based on robust assessments of actual behaviour and household circumstances, rather than modelled demand.

### **3.6 Enhanced affordability support measures for water**

The JEC supports IPART's analysis that existing rebates and assistance measures could be improved to better deliver affordability support for Hunter households<sup>15</sup>. We reiterate our recommendation that a wider NSW Government review and reform of required assistance and supports for water services is required to ensure all NSW households have equal support for affordable access to water services. In this context we consider the Draft Recommendations to the NSW Government could be strengthened and not merely considered as temporary requirements.

In supporting enhanced affordability support measures for water, the JEC:

- Recommends upgraded assistance and supports be made consistently available for all NSW households. We consider this overdue reform to align water with energy and is critical in the

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<sup>15</sup> IPART, 2025, [Draft Report: Review of prices for Hunter Water Corporation from 1 July 2025 – April 2025](#), p.92



face of long-term expectations of water bill increases.

- Supports an approach to reviewing and improving assistance and rebates which is grounded in robust principles.
- Recommends that assistance and supports be considered holistically, to ensure an integrated approach which optimises impact and minimises ‘gaps’. This should include ongoing supports according to fixed eligibility criteria, and assistance for specific circumstance and need.

The JEC would welcome an opportunity to work with IPART, DCCEE and water businesses and local water utilities to consider opportunities for comprehensive, statewide reforms in water assistance measures.

### 3.6.1 Principles for considering assistance and support

Principles to guide consideration of appropriate support (by both Government and Water providers) should include:

- Assistance should embody key concepts of equity and should support equitable outcomes. This should include ensuring that people in the same circumstance get the same effective level of support. That is:
  - Equity of % support between tenants and owners
  - Equity of access to support regardless of geographic location
  - Equity of % support regardless of usage (i.e. responding to need)
  - Equity of support according to ‘need’ (i.e. those in the same circumstances – such as pensioners – receive the same support expectations)
- Support should respond to need – that is it should be based on criteria which can meaningfully reflect need and respond to that need. This would ideally also include a requirement for assistance to be provided proportionate to need (i.e. as a % of a bill).
- Support should be available regardless of tenure – this would align with the principles we have outlined above.
- Caution against a ‘no loser’ principle. Consistent application of assistance according to robust principles (and responding to ‘need’) may result in some people receiving less support, this need not necessarily be avoided. Any ‘negative’ impact should be noted and considered for materiality.
- An incentive for **healthy conservation** and efficiency should be retained – but this should not be overstated. This should be a ‘second order’ principle, better framed in the negative ‘not undermine efforts to build and maintain healthy, efficient water usage behaviour’. A % based assistance would be consistent with this.
- Administrative simplicity and practicality should be considered and prioritised as much as possible. This is likely to be supported by ensuring robust, principles-based approaches which provide assistance consistently.

- Language used and accessing supports should be a positive experience. Active attention should be paid to avoiding normative or shaming language.
- Adopt a principle that evidence or unreasonable burden should not be required to access assistance

### **3.6.2 Drawing on Low Income Household Energy Rebate (LIHER)**

Provision of ongoing rebate-style assistance (by the NSW Government) should be expanded beyond the existing support for aged pensioners and made more consistently available across NSW. Aligning with provision of rebates in energy would be appropriate and involve a modest expansion of eligibility (with the LIHER applying to commonwealth pensioners, health care and low-income health care card holders).

We recommend against adopting the nomenclature (low-income household). ‘Water affordability assistance’ or other neutral/simple framing should be considered.

### **3.6.3 Other relevant issues to note (arising from our work on energy rebates)**

- Our recent research report on disconnection/restriction and debt in energy and water<sup>16</sup> found that issues and impacts in water largely mirror those in energy. We consider this to mean that the conclusions and recommendations regarding energy in this report are applicable to water. We would also expect the anticipated increases in water costs to increase the salience of issues in water.
- Restriction:
  - The JEC supports policy not to restrict Centrepay households who at least make some sort of payment – we strongly recommend this approach for all debts (i.e. – any ‘good faith response or payment should maintain support and prevent restriction action).
  - We note home visits and support them as a great initiative. These should be considered as a wider measure beyond pensioners, with a policy to ensure a home visit before any steps to restrict or take legal action are taken.
- Ongoing assistance should be provided according to fixed eligibility criteria (that is where ‘need’ is assumed rather than demonstrated)
  - Existing pensioner support
  - Proposed alternative or expanded support aligned with energy rebates
  - Options to create an assistance measure based on fixed criteria related to the home or its fixtures (e.g. gas hot water heater conversion to efficient heat-pump in conjunction with other govt programs)

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<sup>16</sup> The Justice and Equity Centre, 2024, [Powerless: Debt and Disconnection](#)

- Responsive assistance should also be provided according to need (that is where some indicator or consumer outcome identifies them as needing support)
  - PAS
  - Plumbing assistance
  - Options to create new ways to identify high-user families for supported water efficiency measures.

### **3.7 Fees and charges**

The JEC supports Hunter Water's decision to materially lower dishonoured/declined payments fees. We recommend that IPART and Hunter Water review the AEMC's Draft Determination on limiting fees and charges in energy<sup>17</sup>. If this rule change proceeds as drafted, energy consumers on payment plans, in hardship programs, receiving concessions and experiencing family violence will be exempt from all ancillary fees and charges. The JEC recommends that water utilities, including Hunter Water, adopt these protections for disadvantaged and vulnerable consumers.

## **4. Continued engagement**

The JEC welcomes the opportunity to discuss these matters further with IPART, Hunter Water or other stakeholders.

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<sup>17</sup> Australian Energy Market Commission, 2025, [National Energy Retail Amendment \(Improving consumer confidence in retail energy plans\) Rule 2025](#), pp. 41-53