2025 Pricing Proposal
Community Panel

Hunter Water response to recommendations

September 2024

Contents

1 Hot spots (ongoing service issues)

The Community Panel made five recommendations on the topic of hot spots, some of which had multiple parts.

We have incorporated these recommendations into our Pricing Proposal to the maximum extent possible. In all except one case, that means we've fully incorporated the recommendation. We were unable to adopt part of the recommendation that Hunter Water "should strengthen and enhance feedback to conveyancers and prospective purchasers on significant hotspot issues that they may face, even if they are subjective issues" but we have still taken it on to the maximum extent possible. We realised that this issue is more nuanced than we were able clearly explain during the Community Panel's deliberations.

Details follow below.

1.1 How important is the issue of hot spots, and why?

Community Panel recommendation

The issue of hot spots is very important for Hunter Water as a good corporate citizen and should be managed and prioritised according to medical and physical impacts and cost effectiveness.

It is Hunter Water's moral duty of care to provide equality of care/service for all equal paying customers.

Hunter Water response

We have accepted the importance of the issue and reasons why. We will address at least 1,000 hot spots over the five-year pricing period. This is reflected in a measure and targets that we'll report against publicly and transparently, at least annually (see section 4). This represents a large uplift in response to your recommendation, from 40 customers each year, on average over the last four years.

The part of the recommendation related to managing and prioritising hot spots according to medical and physical impacts and cost effectiveness is addressed in section 1.2.

1.2 How should we prioritise fixing ongoing issues that affect a small number of customers: persistent low water pressure, frequent or ongoing wastewater overflows and persistent bad odours? Should we fix the cheapest first or the worst first?

Community Panel recommendation

Hunter Water needs to consider prioritisation and rectification with a focus on priority over number of customers. Priority 1 (P1) wastewater overflow issues should be considered first, followed by remaining P1 issues across water pressure and odours.

Priority 2 (P2) and Priority 3 (P3) customers across all areas should be considered in order of priority. There has to be an overlay to consider rectifications in areas with the most impact for the lowest cost.

Example of allocation of funds:

P1 wet weather wastewater overflow – 50%

Remaining P1 – 25%

P2 – 15%

P3 – 10%

Part of the Community Panel's recommendation in response to hot spots question 1 (see section 1.1) also relates to this issue (hot spots question 2):

> *The issue of hot spots … should be managed and prioritised according to medical and physical impacts and cost effectiveness.*

Hunter Water response

Our interpretation of your recommendation is that there are two main principles you would like us to apply to work out the order in which we fix hot spots:

1. Fix the worst first (by priority category, and then within a category 1, wastewater overflows issues first)
2. Cost effectiveness

We are in the process of developing a formal approach based on the principles of:

- start with priority 1 hotspots, addressing from least cost per customer benefitting within priority before moving to
- priority 2, once again starting with the least cost per customer in priority 2 and then priority 3.
- Once the most cost-effective priority 3 hot spots are resolved we will circle back to the higher cost priority 1 hot spots.

Taking the outlined approach, we don't think that there's enough funds to fix all priority 1 problems across all three hot spot types, because there are some priority 1 problems that require very high cost solutions, or can be better resolved through broader system upgrades in the future. The framework will be updated to incorporate feedback from the Panel that length of time on a hot spot list is important, customers in hot spot areas will then be reassessed to determine the updated priority list.

After the Community Panel's deliberations, more detailed analysis has been undertaken on the low water pressure customers resulting in a change to priority ratings, more detail provided in section 1.5.

Our response to the example allocation of funds is addressed in section 1.5.

1.3 What should we do where it costs about as much to fix a hot spot as the affected property is worth?

Community Panel recommendation

1. Fix or mitigate the problem.
2. Never spend over/above the value of the property to fix the problem.
3. When all else fails, consider (over time) purchase of the property:

- When Hunter Water has exhausted all reasonable options.
- Done with a panel of experts and public consultation.

Hunter Water response

1. We will fix at least 1,000 hot spots over the five-year pricing period.
2. The recommendation in response to hot spots question 5 (how much should we invest in this issue?) will enable us to make substantial progress in helping customers affected by hot spots, however it will not be enough for us to fix, or attempt to fix, all hot spots. We will use the approach described in response to hot spots question 2 (see section 1.2) to prioritise the issues. The available funds will be used up well before reaching the value of a property. Put another way, we expect to have used all the money by fixing, or attempting to fix, hot spot issues where the cost effectiveness ($ per property) is much less than the median house price in the Lower Hunter ($700,000 - $825,000).[1]
3. Given our response to (2), we consider that your recommendation will not be relevant before 2030. Although we're following your recommendation to the maximum extent possible, being careful with your money means we should exhaust all the other options before purchasing is contemplated. It is going to be well over five years before we reach a point of last resort.

1.4 What should Hunter Water keep in mind when addressing the issue of hot spots?

Community Panel recommendation

1. Hunter Water (HW) should provide an annual report to hot spot customers about the money invested and the steps that have been taken to resolve the issue. This report should also be posted online.
2. Where HW has not been able to adequately address the priority 1 hot spot issues, within a reasonable timeframe
    a. HW will provide reasonable compensation with regard to the severity and longevity of the problem.
    b. If this is not satisfactory HW may offer to purchase the property.
3.
    a. To the extent that Hunter Water has the ability to influence they should be future proofing new developments. Information about hot spots should be publicly available.
    b. Hunter Water should strengthen and enhance feedback to conveyancers and prospective purchasers on significant hotspot issues that they may face, even if they are subjective issues.
4. Explore options for working with council, customers, etc to determine the cause of the issue and liability of other parties.

Hunter Water response

1. We have included a performance measure under the customer outcome "high quality water services" (see section 4). In our pricing proposal we commit to report progress transparently and accessibly at

[1] Based on Hunter Insight Dashboard / Institute for Regional Futures / Institutes and centres / Research / The University of Newcastle, Australia, median house prices at Dec 2023 are: Newcastle $816,000, Lake Macquarie $825,000, Maitland $700,000, Dungog $757,000, Cessnock $620,000, Port Stephens $810,000)

least annually. We will publish our performance via existing channels including our website. Our intended audience for this report is the broader community including affected customers.

2. We consider the pricing period (five years) to be a 'reasonable timeframe'. This pricing period will be the first time we have specifically received funding to address hot spots. In the past it was difficult for us to get permission from IPART to charge all customers to fix hot spots. The changes to regulations which allow customers to have more of a say is the reason we can now take action, i.e. more people are going to have their hot spot issue addressed because of you, the Community Panel.

    a. In our pricing proposal we commit to introduce a new rebate equivalent to all fixed water and wastewater charges for a house no later than 2030 for those priority 1 hot spots we do not resolve.

3.

    a. During the pricing period we will review our internal processes and standards for new developments. The intention is to include a check point, along with potential additional measures, to reduce the risk of new hot spots forming, or existing hot spots getting worse.

    b. At this stage we have not incorporated actions to address the recommendation to improve transparency of affected properties during potential sales. We have realised that this issue is more nuanced than we were able clearly explain during the Community Panel's deliberations.

    We interact with conveyancers when a property is connected to our services is bought or sold. This process is sometimes referred to as 'section 47' or a 'section 47 certificate'. As part of the section 47 process we tell the conveyancer if there are anomalies against the properties, such as a 'non-standard' agreement, however it is not something that the law requires us to do. Whilst we could also use this process to alert the buyer (via their conveyancer) to the property being in a hot spot, we are concerned that introducing this may devalue properties. Some current owners of properties located in hot spots may have themselves purchased the property without being aware of the ongoing service issue (hot spot). We must also consider privacy laws.

4. Our understanding is that this part of the recommendation relates to illegal connection of the stormwater system into the wastewater system, which can contribute to the frequency and extent of wastewater overflows in wet weather. We are working towards increased information sharing with Councils on this issue as Hunter Water does not have direct jurisdiction over stormwater management on private property whereas Councils may sometimes come across issues that we are not aware of.

    As a result of your recommendation, we will increase the amount of smoke testing and plumbing inspections of private properties with the aim of identifying the sources of stormwater entering the wastewater system. This information is being used to improve our understanding of the magnitude of the problem, the type of defects in the system and the cost to rectify. The cost to fix these defects can range from the cost of engaging a plumber for an hour, up to tens of thousands of dollars for more problematic issues. We are exploring options to rectify defects, while acknowledging that some customers may not be able to afford to fix the more expensive problems (and may have unknowingly inherited the defect when they bought the property). As a result, the decision to rectify defects and who will pay for it, will consider the cost to fix, the downstream impacts on a hot spot, the community benefit of reducing wet weather overflows and the cost to transport and treat wastewater.

I.5 Approximately how much should we invest in this issue?

Community Panel recommendation

A revenue requirement of up to $4 million, comprised of the following elements:

- Wet weather overflows – Fix, or attempt to fix, all currently assessed priority 1, 2 and 3 issues (~ 80 hot spots).
- Odour – Fix, or attempt to fix, most priority 1 issues (~15). Fix, or attempt to fix, 2 or 3 low-cost priority 2 and 3 issues.
- Low water pressure – Fix, or attempt to fix, a half of priority 1 issues (~150). Fix, or attempt to fix, ~350 low-cost priority 2 and 3 issues.

Part of the Community Panel's recommendation in response to hot spots question 2 (see section 1.2) also relates to this issue (hot spots question 5):

Example of allocation of funds:

P1 wet weather wastewater overflow – 50%

Remaining P1 – 25%

P2 – 15%

P3 – 10%

Hunter Water response

Our pricing proposal includes $30.7 million to address this issue ($2024-25, without inflation). That's made up of:

- $29.9 million of capital expenditure and
- $0.8 million of operating expenditure.[1]

This level of expenditure equates to $2.7 million in revenue requirement, in addition to that included in our baseline bill increase as out-of-scope.[2] This is less that the recommended upper limit of $4 million in revenue requirement.

How much a customer's bill goes up in response to increases in revenue requirement depends on factors such as concession status, whether they are a residential or business customer, owning (or buying) their own home or renting, and also how much water they use.

The "Bill impact look-up table" that we provided showed the impact of $4 million revenue requirement on a typical household bill of $1.05 each year, every year ($2023-24). We estimate that the impact of the $2.7 million revenue requirement that we have included in our pricing proposal on this issue will increase a typical household bill by $0.70 each year, every year ($2024-25).

[1] See pages 18 to 20 of the Pricing Proposal Community Panel Engagement Report for an explanation of capital and operating expenditure and how they are used to set prices.

[2] The revenue requirement can be thought of as the amount of revenue we need to collect to cover our cost to operate. Revenue requirement is in present value terms, therefore the effective of timing of expenditure across the five years has been neutralised. Another way of thinking of this is: we've made an adjustment so that you don't need to think about which of the five years the change in revenue requirement happens (or which year money is spent).

After Community Panel's recommendations, we did a more detailed analysis into our hotspots data to determine the number of customers that might benefit from implementing solutions and where possible verifying data.

For very low water pressure customers, the classification system used in the deliberative forum grouped customers in hot spot clusters, but counted all P1, 2 and 3 customers in that cluster equivalent to the highest rated priority, so if there were 20 properties in a cluster, 3 x priority 1, 10 x priority 2 and 7 x priority 3, the cluster was rated a priority 1 and all 20 properties were classified as priority 1. We have since reclassified these properties back to their original priorities, with the outcome there are substantially fewer priority 1 very low water pressure customers.

The cost to address the initial estimate of between 150 and 300 priority 1 and 350 priority 2 and 3 low water pressure customers is currently proposed to still be allocated to low water pressure customers but will benefit more priority 2 and 3 customers than originally planned. Often resolving issues for customers rated priority 1 will resolve issues for surrounding priority 2 and 3 customers, hence the larger number of P3 customers resolved.

Change to number of customers in each priority category for very low water pressure:

Category	Pre-deliberative forum	Current assessment	Proposed for resolution
P1	455	12	10
P2	228	41	14
P3	767	1,296	691
Total	**1,450**	**1,349**	**715**

Estimated number of customers benefiting per category by 2030:

Category	Wet weather overflows	Odours	Very Low Water Pressure	Total
P1	75	145	10	230
P2	38	9	14	61
P3	13	6	691	710
Total	**125**	**160**	**715**	**1,000**
Capital Funding	**$5.71m**	**$6.59m**	**$17.61m**	

2 Water conservation

The Community Panel made four recommendations on the topic of water conservation, some of which had multiple parts.

We have incorporated actions to address these recommendations into our 2024 Pricing Proposal to the maximum extent possible. All recommendations were fully followed.

Details follow below.

2.1 Is it ever appropriate to pay more to save water than that water is worth? When, and with what conditions?

Community Panel recommendation

1. Yes, to secure resources for future generations.

We need to continue water conservation programs now and continue to adapt for the future and emerging needs as required.

Long term forward planning 20 years plus.

Future proofing by continuing and adapting by planning, building new dams, recycling water plants, desalination and moving to best practise (balanced with costs/impacts).

2. Yes, when our supply has been compromised (enviro or chemical issue or drought).

Water conservation is important to secure resources for future generations. We should consider paying more for water than it's worth through periods of prolonged drought or other environmental issues (e.g. supply is chemically compromised). During these times, we recommend Hunter Water increase community education for water conservation.

Hunter Water response

1. We will continue to deliver water conservation programs that are cost effective (benefit outweighs cost from a community perspective) to reduce leaks in our water system (through leakage programs) and help customers reduce leaks/use less water (water efficiency programs). This is reflected in measures and targets that we'll report against publicly and transparently, at least annually (see section 4). At the same time, we will deliver Belmont Desalination Plant. We will continue our long-term water security planning to ensure water is used wisely while planning for future growth and drought risk.
2. We will increase our water conservation programs if we enter drought conditions. As the level of water decreases in our dams/ storages the value of water increases and more programs become cost effective. We will prioritise the programs based on relative cost effectiveness and the preferences reflected in the Community Panel's recommendations in section 2.2.

2.2 What are the relative merits of each of the four options for conserving drinking water? Which of the four options do you prefer, and why?

Community Panel recommendation

A. Hunter Water should encourage households to reduce their leaks/use less water. Handled correctly this should be a cost effective and easier way of reducing wastage. Worth of priority 2.

B. Hunter Water has more direct control over reducing leaks in their own system. This option has a high effect for a relatively low cost and should be prioritised first.

C. Increased usage of recycled water in industry should be considered as they are large users of water, however costs should not be distributed evenly across all customers and should be apportioned based on usage, size of business, and distance from treatment plant. This option is priority 3.

D. Increasing recycled water use for community greening, though important for health and wellbeing, should be considered as lower priority as it is costly, and the benefits are not distributed evenly across serviced areas. Lowest priority of the 4 options.

Hunter Water response

We will base our water conservation efforts on the Community Panel's priorities. In terms of funding, we have prioritised funding for leakage (Hunter Water reduce leaks in their system) and Water Efficiency (encourage households to reduce their leaks/use less water). This is addressed in section 2.4.

2.3 Should households subsidise recycled water to make it attractive for industrial uses (in order to conserve our drinking water and reduce the likelihood of restrictions)?

Community Panel recommendation

1. Households should not be expected to pay additional costs for industrial users. The level of investment for recycled water should not be $0 but the funds should not come from household users. As households are not the users of these facilities they should not be required to pay.
2. It is suggested that industrial users should be required to at the time of development to install and operate a recycled water system in some way, shape or form, whether onsite or utilise external supplied recycled water.
3. Hunter Water should provide advice and support on how and when recycled water can be used, and provide ongoing support with developments in these technologies, however not at the cost of household users.

(N.B. numbering added by Hunter Water for ease of referencing in our response)

Hunter Water response

We will continue to explore recycled water options as part of servicing the water and wastewater needs of our customers and we may invest in recycled water schemes if it is the least cost way to do so. We will continue to provide advice to non-residential customers who want to pursue their own recycled water opportunities.

1. Residential customers will not be charged for delivering recycled water investments that only benefit non-residential customers.
2. Development regulations and approvals are set by NSW Department of Planning and local governments. While Hunter Water does not have authority to impose conditions on new developments that require them to implement recycled water, we will continue to work with NSW Government, local councils and regional stakeholders to improve the integration of land use planning and water management and seek to remove barriers that impede the use of recycled water.
3. To be clear, we have a regulatory requirement to investigate whether recycled water would be the least-cost solution to meet the water and/or wastewater needs of developments (benefit outweighs cost from a community perspective). These costs are recovered from all customers – both residential and non-residential – irrespective of whether the potential end-user of recycled water is residential, non-residential or a combination.

2.4 Approximately how much should we invest in this issue?

Community Panel recommendation

Revenue requirement of $5 million comprised of the following elements:

- Encouraging customers to use less water – $1 million to reduce demand by around 230 ML over the 5 years (46 ML a year).
- Reducing leaks from our system – $4 million for 39 to 40 L/c/d (300-500 ML a year saving). Likely among best in industry.
- Recycled water – $0. Hunter water should provide advice and support on how and when recycled water can be used, and ongoing support with developments in these technologies, however not at the cost of household users.

Hunter Water response

Our pricing proposal includes $35.6 million to address this issue ($2024-25, without inflation). That's made up of:

- $23 million to reduce leaks from our water system
- $12.6 million to encourage customers be water efficient.

This level of expenditure equates to $3.8million in revenue requirement, in addition to that included in our baseline bill increase as out-of-scope.[1] This is less that the recommended upper limit of $5 million in revenue requirement.

How much a customer's bill goes up in response to increases in revenue requirement depends on factors such as concession status, whether they are a residential or business customer, owning (or buying) their own home or renting, and also how much water they use.

The "Bill impact look-up table" that we provided showed the impact of $5 million revenue requirement on a typical household bill of $1.35 each year, every year ($2023-24). We estimate that the impact of the $3.8

[1] The revenue requirement can be thought of as the amount of revenue we need to collect to cover our cost to operate. Revenue requirement is in present value terms, therefore the effective of timing of expenditure across the five years has been neutralised. Another way of thinking of this is: we've made an adjustment so that you don't need to think about which of the five years the change in revenue requirement happens (or which year money is spent).

million that we have including in our pricing proposal on this issue will increase a typical household bill by $0.94 each year, every year ($2024-25).

3 Carbon emission reduction

The Community Panel made four recommendations in the topic of carbon emission reduction, some of which had multiple parts.

We have incorporated actions to address these recommendations into our 2024 Pricing Proposal to the maximum extent possible. All the recommendations have been fully implemented.

Details follow below.

3.1 How important is the issue of our carbon emissions?

Community Panel recommendation

Carbon emission reduction is important to the level that Hunter Water meet the minimum NSW Government emission standard, however it is less important than the provision of clean drinking water for all customers.

Note: This is a clarification on the considerations to the issue of carbon emissions:

1. We want to live in a healthy world.
2. We should leave the environment in a better place than what we are doing now.

Impact of climate change could affect the ability to have access to water.

Hunter Water response

We have noted the importance of the issue and the reasons why. At a minimum we will continue to meet the NSW Government's carbon emissions goals. We have incorporated expenditure into our pricing proposal to run the desalination plant using renewable energy. This is projected to reduce Hunter Water's scope 1 and scope 2 carbon emissions by approximately 80% (compared to 2020-21 levels) by 2030. This is reflected in a measure and target that we'll report against publicly and transparently, at least annually (see section 4). We have also incorporated responding to climate change as an objective in our 2024 Sustainability Strategy.[1]

3.2 When should we achieve Net Zero (scope 1 and 2) carbon emissions? How much should we reduce our carbon emissions by 2030?

Community Panel recommendation

1. Hunter Water should reduce carbon emissions by 75% by 2030. This should be achieved via use of renewable energy and tree planting rather than carbon credits.
2. Hunter Water should achieve net zero by 2050.
3. If/as new technologies emerge and become cheaper, Hunter Water can achieve these targets earlier without additional investment. Hunter Water should ensure this is done.

Hunter Water response

The part of the recommendation related to how much we should reduce our carbon emissions by 2030 is addressed in recommendation 3.4. The Panel agreed to a 75% reduction in carbon emissions by 2030 plus

[1] Available on our website: Hunter-Water-Sustainability-Strategy-2024.pdf (hunterwater.com.au)

operating the Belmont desalination plant using renewable energy (to reduce overall scope 1 and 2 emissions by an estimated 80%.

The options we have available to reduce our scope 1 and scope 2 carbon emissions are changing as new technologies emerge. We will continue to explore and undertake investigations into these options for the benefit of our customers, community, and the environment.

Our 2024 Sustainability Strategy includes an objective to “Respond to Climate Change”. We are planning programs of work and activities in: climate change adaptation, climate change mitigation, and renewable energy generation.

Hunter Water understands the affordability pressures for our customers, and the Community Panel’s intent of relieving some of that pressure by a net zero target of 2050. We plan to revisit the relative priority, costs and affordability, of our net zero target within the context of Hunter Water’s broader investment program with the community for our next pricing period (2030-2035).

Hunter Water invests in Research and Development (R&D) as a part of our business-as-usual operations. Climate change impacts and greenhouse gas emissions have been identified as priorities in our R&D program. Hunter Water will continue to work with industry and monitor opportunities to reduce emissions through new technology.

3.3 What else should we keep in mind when addressing the issue of carbon pollution reduction?

Community Panel recommendation

1. Hunter Water should be actively investigating new technologies that support achieving the 2030 target of 75%, while keeping prices affordable.
2. Hunter Water need to be extremely selective with the carbon credit schemes, continue to monitor public appetite and opinions on carbon reductions, keep abreast of tech market trends both in Australia and overseas.
3. If Hunter Water is currently within their target (legislative target), no additional cost is warranted.

(N.B. numbering added by Hunter Water for ease of referencing in our response)

Hunter Water response

Hunter Water will continue to investigate new technologies that support reducing our carbon emissions.

The part of the recommendation related the target emission reduction by 2030 is addressed in section 3.4.

Hunter Water will prioritise investment in our own carbon emissions reduction initiatives, subject to technological and financial feasibility.

We acknowledge that some of our scope 1 emissions are hard to abate and technology is not currently available to address these residual emissions. Should we need to use carbon offsets to reach our targets, we will prioritise self-generated offsets first (such as tree-planting on our land). Should we need to purchase offsets from the market, we will require a very high standard of integrity.

Hunter Water will continue to monitor developments in technology and public opinion and reflect these developments in our planning to achieve net zero.

The part of the recommendation related the target emission reduction by 2030 is addressed in section 3.4.

3.4 Approximately how much should we invest in this issue?

Community Panel recommendation

Hunter Water would invest up to $1 million revenue requirement to power the proposed Belmont desalination plant with renewable energy, which would enable the corporation to achieve an 80% reduction in carbon emissions by 2030. But if Hunter Water can do this at no additional cost compared with buying non-renewable energy, then it would give the $1 million back to customers at the end of the five-year price period.

Part of the Community Panel's recommendation in response to carbon reduction questions 4 (see section 3.3) also relates to this issue (carbon reduction question 5):

> *If Hunter Water is currently within their target (legislative target), no additional cost is warranted.*

Part of the Community Panel's recommendations in response to carbon reduction questions 2,3 and 4 (see sections 3.2 and 3.3) also relate to this issue, recommending the target of a 75% reduction in carbon emissions by 2030, rather than the 80% reduction by 2030 stated above:

> *Hunter Water should reduce carbon emissions by 75% by 2030.*
>
> *Hunter Water should be actively investigating new technologies that support achieving the 2030 target of 75%, while keeping prices affordable.*

Hunter Water response

We note some inconsistency in the carbon emission reduction target for 2030 across recommendations. We have adopted a target of an 80% reduction in scope 1 and scope 2 emissions by 2030 based on the Panel's recommendation, which includes operating the proposed Belmont desalination plant with renewable energy. This is reflected in a measure and targets that we'll report against publicly and transparently, at least annually (see section 4). That corresponds with the Community Panel's recommended level of investment and the expenditure included in our pricing proposal.

Our pricing proposal includes $1.2 million to run the Belmont desalination plant using renewable energy, which will reduce our carbon emissions ($2024-25, without inflation). That's made up of:

- $0 million of capital expenditure and
- $1.2 million of operating expenditure.[1]

This level of expenditure equates to $1.0 million in revenue requirement in addition to that included in our baseline bill increase as out-of-scope.[2] This is the same as the recommended upper limit of $1 million in revenue requirement.

How much a customer's bill goes up in response to increases in revenue requirement depends on factors such as concession status, whether they are a residential or business customer, owning (or buying) their own home or renting, and also how much water they use.

The "Bill impact look-up table" that we provided showed the impact of $1 million revenue requirement on a typical household bill of $0.30 each year, every year ($2023-24). We estimate that the impact of the $1.2

[1] See pages 18 to 20 of the Pricing Proposal Community Panel Engagement Report for an explanation of capital and operating expenditure and how they are used to set prices.

[2] The revenue requirement can be thought of as the amount of revenue we need to collect to cover our cost to operate. Revenue requirement is in present value terms, therefore the effective of timing of expenditure across the five years has been neutralised. Another way of thinking of this is: we've made an adjustment so that you don't need to think about which of the five years the change in revenue requirement happens (or which year money is spent).

million that we have including in our pricing proposal on this issue will increase a typical household bill by $0.26 each year, every year ($2024-25).

We commit to returning unneeded funds to customers at the end of the five-year price period. We would likely incorporate this with other end-of-period adjustments (i.e. it is unlikely to be a separate 'refund' line item on customer bills) but we will explain how the adjustment has been calculated. The generally accepted approach is to spread the overall adjustment (up or down) over the next five-year pricing period.

4 Summary of measures and targets 2025-2030

Outcome	What we're measuring	How we're measuring it	Our current performance	Target for					Trend
				2025-26	2026-27	2027-28	2028-29	2029-30	
High-quality water services	Drinking water safety	Percentage compliance with Australian Drinking Water Guidelines	99.95%	≥99.75%	≥99.75%	≥99.75%	≥99.75%	≥99.75%	Stable
	Our response time to rectifying service issues	Percentage of service delivery issues raised by customers addressed within target timeframes	88%	≥88%	≥88%	≥88%	≥88%	≥88%	Stable
	Customers who are repeatedly affected by a service issue (low water pressure, bad odour and/or wastewater overflows)	Total number of customers removed from our repeat service issue register (low pressure, odour and wastewater overflow issues)[1]	40	≥80	≥180	≥320	≥550	≥1000	Improve
Value for money, affordable	Value for money	Percentage of survey respondents that agree Hunter Water delivers value for money (via survey)	51%	≥51%	≥50%	≥50%	≥50%	≥50%	Stable
	Support for vulnerable customers	Percentage of customers who are accessing, or have accessed, our support programs that agree the program is effective (via survey) [2]	TBC	TBC	TBC	TBC	TBC	TBC	Stable
Water security	Leakage in our supply system	The average volume of leakage and overflow from our supply mains and service reservoirs.[1] Expressed in a daily volume (litres, per service connection, per day)	83 L/connection /day	≤70 L/connection/day	≤65 L/connection/day	≤60 L/connection/day	≤55 L/connection/day	≤50 L/connection/day	Improve
Environmentally sustainable	The impact of our activities on the swimming quality of beaches	Percentage of Beachwatch sites graded as good or very good, or unaffected by our activities	100%	100%	100%	100%	100%	100%	Stable
	Greenhouse gas emissions	Percentage reduction in carbon dioxide equivalent emissions (scope 1 and scope 2) compared to a 2020-21 baseline[1]	30%	≥40%	≥50%	≥60%	≥70%	≥80%	Improve

Great customer service	Customer satisfaction with our customer service	Percentage of customers that are satisfied with their most recent interaction with us (via survey) [2]	TBC	TBC	TBC	TBC	TBC	TBC	Stable
Community-focussed	Community trust	Percentage of survey respondents that agree they trust Hunter Water (via survey) [2]	TBC	TBC	TBC	TBC	TBC	TBC	Stable

1. This measure directly tracks our progress in delivering against a recommendation from our Community Panel.

2. This is currently shown as 'to be confirmed' (TBC) because we are in the process of introducing new survey methodology and questions and don't yet have enough baseline data. We intend to provide these targets in early 2025.