Hunter Water

Tariff Design Research
June 2024

1.0 Executive summary

Executive summary

Tariff structures were tested with customers to inform the pricing proposal

In April and May 2024, Hunter Water tested three questions about tariff structures with the community to inform its upcoming pricing proposal:

1. Whether the extra costs of providing water should be applied to the fixed or the variable part of the water bill in the next price period,
2. What the community attitudes are toward the possibility of moving from a fixed to a variable wastewater treatment charge, based on an assumed discharge factor, and
3. Whether changes should be applied in year one of the new price period or phased in gradually.

To ensure a broad, triangulated and inclusive approach, a combination of the quarterly survey, a separate tariff design online survey, interviews with independent experts, and focus groups were used to discover the community's principles and understand preferences on the three questions.

Previous experience has shown that customers tend to take a more selfish view when "thinking fast" about questions like these. The methodology used the survey to first ask about underlying principles. These were shown to the focus group participants to encourage "slow thinking", where self and public interest could be balanced.

Question 1: The extra costs of water should be applied to both the fixed and the variable part of the water bill, but more on the variable side than the fixed

Attitudes to this question are drawn from a person's principles around individualism versus collectivism, and whether water should be treated as a commodity or a right. Some people are also motivated to send a price signal for water conservation. We found that there was an overall tendency to be individualistic, and view water as a commodity. As such, the balance of views was toward increasing the variable proportion of the bill.

In the focus groups, the impacts, winners and losers created by a shift to more variable pricing were explained, discussed and considered. With this extra knowledge, focus group participants were more likely than survey participants to favour a mix of fixed and variable charges, though on balance the consensus remained on the side of variable charging.

More people wanted the new charges to be fully variable than fully mixed, some participants even acknowledged that they would "lose" if Hunter Water pursued the option they recommended. Some participants were motivated by self-interest, but mistakenly chose the option that was the worst for them. First Nations customers were the most likely to recommend that the increases be applied to the fixed portion of the bill while none of the Large Household participants or Financially Vulnerable preferred fixed charges.

Question 2: Although most people favour a variable wastewater treatment charge, the bill variability they want can be achieved through the water charge without the drawbacks of an assumed discharge factor

The question of a variable wastewater treatment charge[1] cannot be considered without some background knowledge. This background was provided in the survey and was followed by three questions designed to test whether respondents had read and understood the information.

1 IPART refers to this as a "wastewater usage charge" however the terminology "wastewater treatment charge" was used during the customer engagement to help participants quickly understand that it related to discharge (typical community members think of using water, which then becomes wastewater, rather than wastewater usage). A variable wastewater treatment charge would apply to a wastewater usage volume that is impute from water usage rather than the current arrangement of applying to a deemed fixed volume of 120 kL per household per year.

Of the 715 responses to the questions, 499 answered all screening questions correctly which demonstrated they had read and understood the important context information (see Appendix A). Of these, 54% of them favoured a variable wastewater treatment charge, roughly twice as many as the 28% who favoured a fixed charge. The remaining 200 plus respondents thought either that Hunter Water would collect more, or less money from customers, and/or that it was possible to put wastewater meters on properties, and/or that it was possible to apply a different discharge factor to every property.

All these groups were more likely to recommend a variable wastewater treatment charge i.e. it appears that many people change their minds when given a bit of background. At the focus groups, after information was presented and the discussion, participant support dropped further – but remained a majority.

Only four percent of focus group participants didn't have a view on the topic after discussing it. A total of 59% favoured the variable charge based on an assumed discharge factor,[2] compared to 37% support for the current system.

Focus group participants cited their main reasons for supporting the current system were simplicity and fairness. The main reasons for supporting a variable system were user pays, fairness and bill control. Very few focus group participants realised that the increased bill variability they were looking for could be more fairly achieved through the water price than the wastewater treatment charge.

Some people who had supported the balanced option in question one (about water fixed:variable charges) also supported the variable wastewater treatment charge. This position makes no sense because:

- the same types of households (e.g. large) are disadvantaged by a variable wastewater treatment charge as putting the water charge increase all in the variable charge, and participants told us it was fair to mitigate impacts on those households
- providing an incentive to reduce water use swayed some customers, however the incentive is indirect when given via wastewater charges
- some participants expressed reservations about the lack of fairness of both options, instead suggesting more complicated ways of introducing a variable wastewater treatment charge for examples, the community compass feedback showed a preference for simplicity.

Since there was not an overwhelming level of support for a change to a variable wastewater treatment charge, it is sensible to consider increasing variability overall through the water charge and leaving the wastewater tariffs unchanged.

Question 3: The extra costs should be phased in gradually

This question was first tested in the quarterly survey, and then discussed in the focus groups. In the quarterly survey, 68% of respondents recommended a phased approach, compared to just nine percent who favoured a big bill increase in the first year, then remaining constant for the following four-years of the pricing period. The latter approach is referred to as a 'P0 approach' for the remainder of this report. These quarterly survey results were shown to the focus groups and participants were asked for their own reaction to the question, and the reasons for it. The focus group participants preferred a phased approach – this was almost unanimous.

The key reasons for the phased approach included avoiding price shocks, being sympathetic to cost of living pressures, impacts on the financially vulnerable, and for the non-residential focus group, lower pressure to pass increased water costs on to their customers with higher prices.

2 A discharge factor is the proportion of metered water usage that is assumed to be discharged as wastewater (e.g. 75%)

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1.0 Introduction

1.0 Introduction

This report presents the key findings from customer engagement on tariff design. It includes an overview of the methodology and key information about the customers who provided their feedback. We have used direct quotes from the engagement to illustrate sentiment.

Customers have an opinion on the right balance between fixed and variable

Hunter Water is currently planning for its prices and services for 2025 to 2030. Throughout the process, Hunter Water customers have sought an opportunity to have their say.

We know, from previous customer engagement on the topic and spontaneous responses to ongoing customer engagement activities, that many of Hunter Water customers already have an opinion on the right balance between fixed and variable charges. The approach for this engagement wasn't only to seek to test these assumptions but to also take a deep dive to understand the 'why' behind customer preferences. There are complexities in this topic around balancing customer preferences, economic signals for 'efficient' usage, impacts of changes on different household types, potential for unintended consequences and practical implementation challenges. To help the participants be as informed as possible we gave both the survey respondents and the focus group participants information to help them understand and contextualise the questions.

The survey and the focus groups had different objectives

The survey was conducted first. It focused on understanding community values, providing insight for both Hunter Water and the focus group participants. It also explored preferences for wastewater (sewer) pricing after providing significant background. Water pricing was not explored in the survey because of the complex interactions between the questions of the fixed/variable balance as well as the pace of (fast/slow) transition over the five-years.

The focus groups considered the results of the survey and feedback from "sophisticated stakeholders" who have a deep understanding of the industry, the complexity of tariff design questions, and the needs of different customer cohorts to inform their responses. The focus groups dwelt on three matters:

- Water price increases, specifically which of three options is in the best interests of customers and the community in the region,
- The pace of water price changes – whether water prices should increase slowly or quickly, and
- Making the wastewater treatment charges variable – which of two options is in the best interests of customers and the community in the region.

An IAP2 engagement level of Consult was offered (due to the aforementioned complexities that Hunter Water needs to balance in forming its proposal). Hunter Water's promise to the public was "we will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision". The results of the engagement will inform Hunter Water's pricing proposal that will then be reviewed by the Independent Pricing and Regulatory Tribunal (IPART), which sets the prices.

2.0 Engagement approach

2.1 Overview

A combination an online survey, interviews with independent stakeholders and focus groups were used to discover the community's principles and preferences on the balance between the fixed and variable charges on Hunter Water bills.

Survey

The survey was launched on 25 April and closed on 5 May 2024. The survey was distributed to a paid online panel and via a Hunter Water EDM to 20,000 randomly selected customers. A total of 773 responses were received, of these 281 were received via the paid online panel and 492 via the EDM. The survey included three questions designed to ensure respondents had read and understood the background information. A copy of the survey questions are in Appendix A. Note that the assessment questions showed whether respondents had read/understood the background information. People who got the assessment questions wrong were not excluded from our analysis of customer principles.

Interviews

Insync interviewed three "sophisticated stakeholders"; people with a deep understanding of the complexity of tariff design and potential impacts on people experiencing vulnerability. The interviews were informal discussions and broadly covered:

- An explanation of the possible changes and views on possible winners and losers
- Whether participants in the focus group will be able to understand the explanation
- Which way would the interviewee advise the public to choose
- Some key facts the public should know when they're trying to decide what's best for the region.

Direct quotes were presented to the focus group participants to help them consider their feedback. We also presented results of Hunter Water's quarterly survey to the focus group participants. The quotes were included in the Community Compass in Appendix C.

Focus groups

Six two-hour online focus groups were held in the week beginning 20 May. A total of 51 participants attended the focus groups. The participants for the first four focus groups were recruited by CRNRSTONE to ensure we heard from Hunter Water's diverse customer base. The focus groups were segmented into the following cohorts:

- Young Renters
- People from Large Households
- First Nations customers
- Customers experiencing Financial Vulnerability
- Panel Members from the deliberative forum
- Non-Residential customers (this focus group was one-hour in length).

The focus groups were observed by the Hunter Water project team and members of Customer Engagement Advisory Panel (CEAP).

The focus group agenda is in Appendix B and a copy of the slides is in Appendix D.

2.2 Limitations

All engagement processes have limitations. The following limitations were identified during the engagement and in the analysis of the findings.

- Insync has reported on information documented by participants and interpreted the information to represent the views of participants as closely as possible. Quotes have been used to illustrate sentiment.
- In some instances, participants did not respond to all questions – in the survey and during the focus groups, this means that some questions received fewer responses than others.
- The survey was in field for 11 days. While this length of time is not best practice, we are confident in the number of responses received and that any more responses would not have changed the results.
- While demographic data were collected from survey respondents, they were not collected from focus group participants – instead, we recruited participants that fit into six stakeholder cohorts representing some of Hunter Water's customers. Non-residential focus group participants were recruited by Hunter Water. Demographic information was collected from the 29 participants who were recruited by an external recruiter. Where possible we've included this information in the report.
- Some focus group participants experienced connection issues, this meant that for some of the discussion, they were unable to hear the conversation or contribute. This included participants completing the poll – where possible we asked for participants to share their response in the chat, and we entered those responses manually.
- A very small number of people participated in more than one engagement activity – completed the survey and participated in a focus group – therefore, some views may have been captured more than once.
- Where we have quoted a focus group participant we have also noted which cohort they were part of, e.g. "Large Household". These people are also members of many other groups related to their age, gender, income, education and so on.

3.0 Participants

3.1 Survey respondents

A total of 773 responses were received for the tariff survey. We gathered demographic data to understand who we were hearing from, and to make sure we were hearing from the different voices that make up Hunter Water's customers. In this section we've included the demographic information captured from respondents alongside the Lower Hunter Census ABS data from 2021,[3] where applicable.

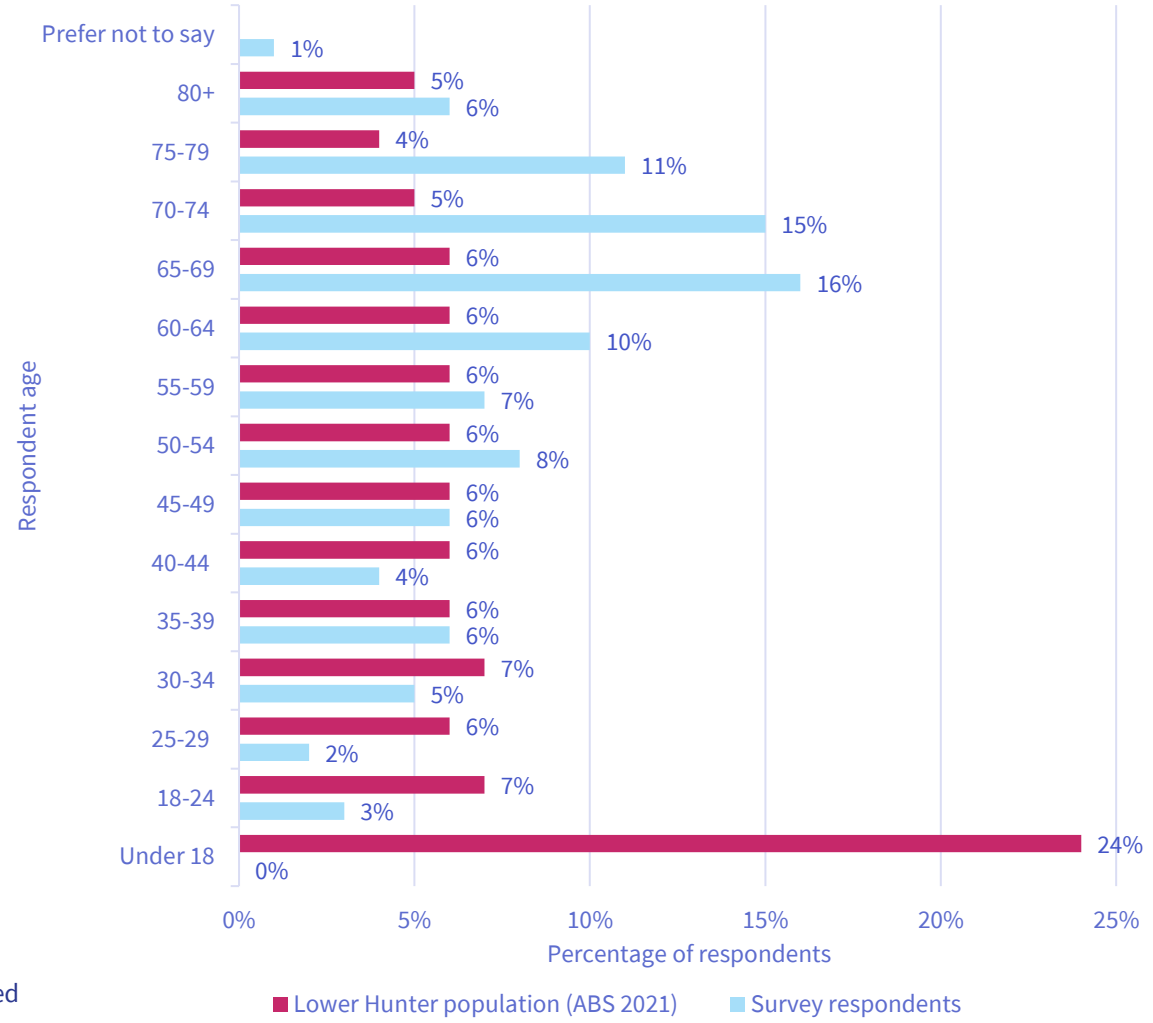
Respondents' gender, diversity and age

Of the respondents, 53% identified as male, this was slightly higher than the Lower Hunter region population (at 51%). We heard from 46% respondents who identified as female, slightly lower than the Lower Hunter population (at 49%). A total of 1% of respondents preferred not to say their gender.

The Lower Hunter population who identify as Aboriginal and/or Torres Strait Islander is 9%, we heard 3% of respondents who said they identified as Aboriginal or Torres Strait Islander, 2% preferred not to say. A total of 38% of respondents reported holding a concession card.

Respondent ages were spread across the age brackets, with the highest proportion of respondents aged 65-69 years old at 16%, this was greater than the Lower Hunter population at 6%. The next most represented group was respondents aged 70-74 at 15%, this was also greater than the Lower Hunter population at 5%. Those aged 34 years and under was underrepresented. (see Figure 1).

Figure 1 Survey respondent age (n=773)



3 See: abs.gov.au/census/find-census-data/quickstats/2021/10601

Home ownership and financial situation

Over half of the respondents own their home outright (59%) and just under one-third were paying off a mortgage (31%) (see Figure 4). A total of 9% of survey respondents were renting.

Almost three quarters (72%) of those who own their houses outright live alone or with one other person, whereas three quarters of those paying off a mortgage have at least five people living in their house. When compared to the Lower Hunter population, we heard from a greater proportion of respondents who own their home.

When asked about their current financial situation, just under half (43%) said they were meeting basic expenses with a little left over, and 18% said they were just meeting basic expenses (see Figure 3).

Respondents' interest in water

We also asked about respondents' level of interest in water (see Figure 2). We asked this so we could re-weight the data to represent the true proportion of people who have zero interest in water, are mildly interested in water, are very interested in water, and are passionate about water. A total of 46% said they were very interested in water and 38% said they were mildly interested in water.

Figure 2 Respondents level of interest in water (n=773)

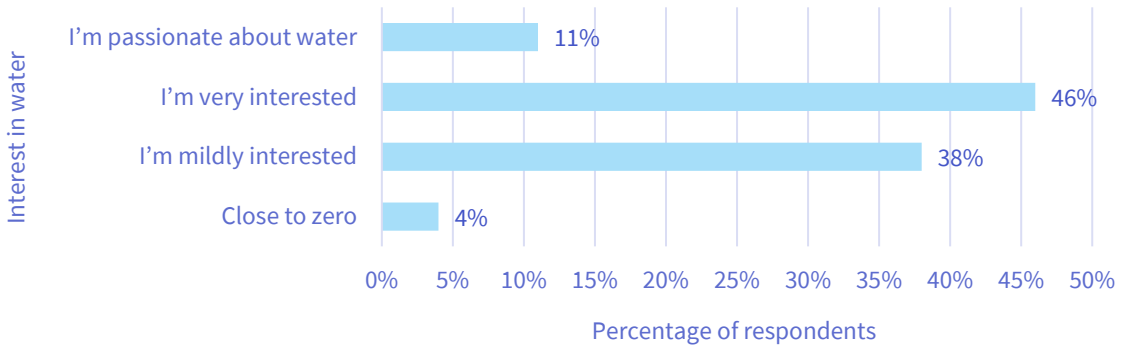


Figure 3 Respondent current financial situation (n=773)

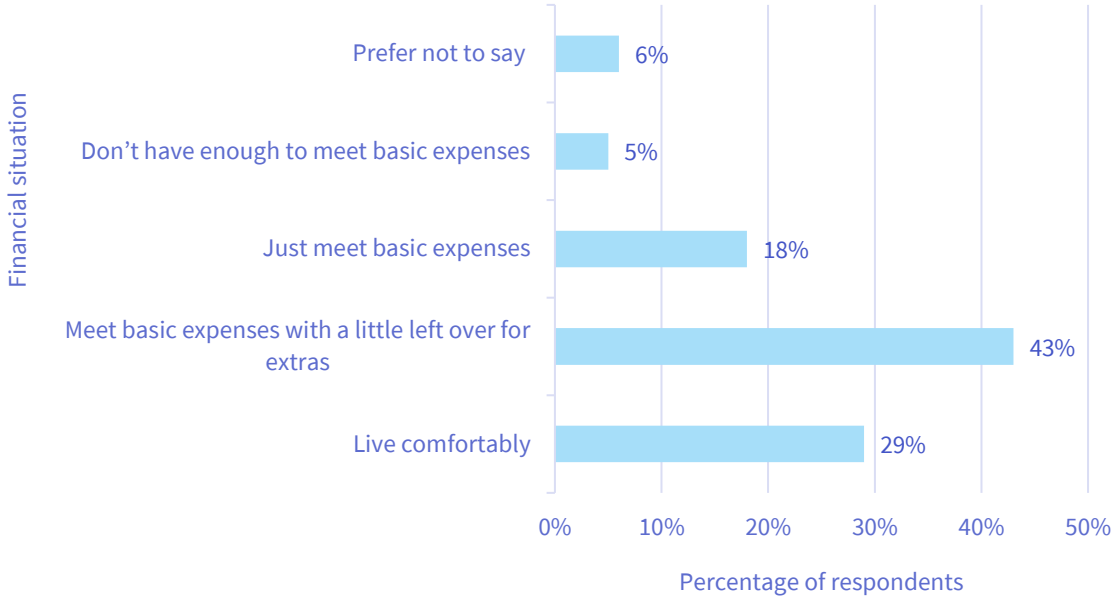
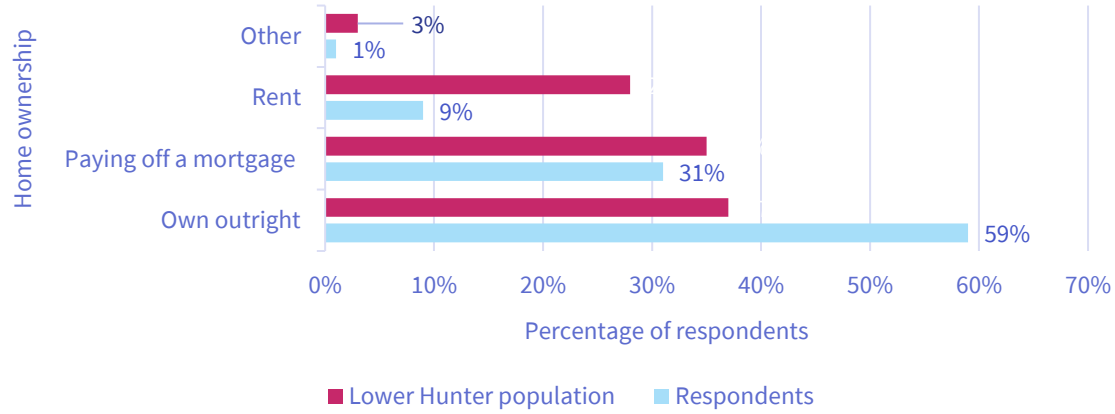


Figure 4 Respondent home ownership (n=773)



Dwelling type, key features and number of people in household

Of the 773 survey respondents, 68% of them live alone or with one other person (see Figure 5). Another quarter of respondents had three or four people living in their house and the remaining 7% had five or more people living together in the household.

Most survey respondents (85%) live in a house while the remaining (15%) live in an apartment/flat/unit (see Figure 6).

Respondents were also asked which of a series of features their households have (see Figure 7). Almost half (43%) had a small garden which is watered using mains/town water and just under a quarter (22%) had a medium/large garden water with mains/towns water. About one quarter (24%) had rainwater tanks which provided water to their bathrooms and/or laundry, a total of 16% had a swimming pool filled by mains/town water. One fifth (20%) of participants did not have of any of these features.

As expected, most of these household features predominantly applied to those living in houses rather than apartments/units/flats. One exception to this is the 50% of apartments/units/flats which had a small garden, 8% more than houses (42%).

Figure 5 How many people live in respondents' households (n=773)

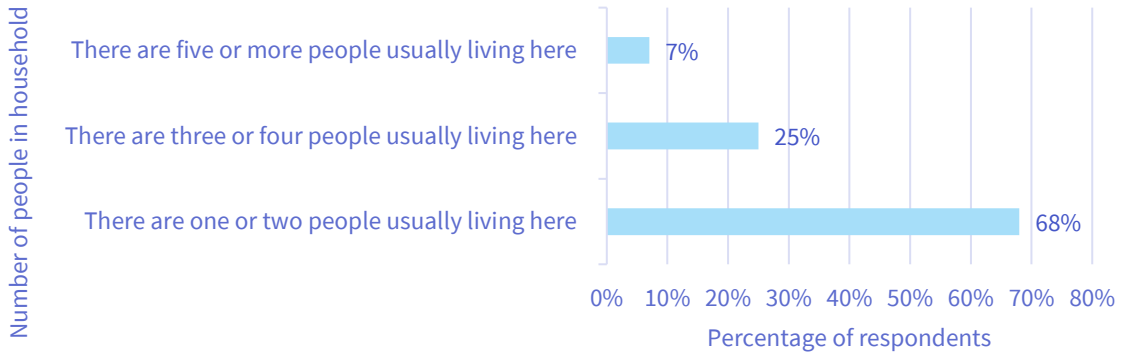


Figure 6 Respondent dwelling type (n=773)

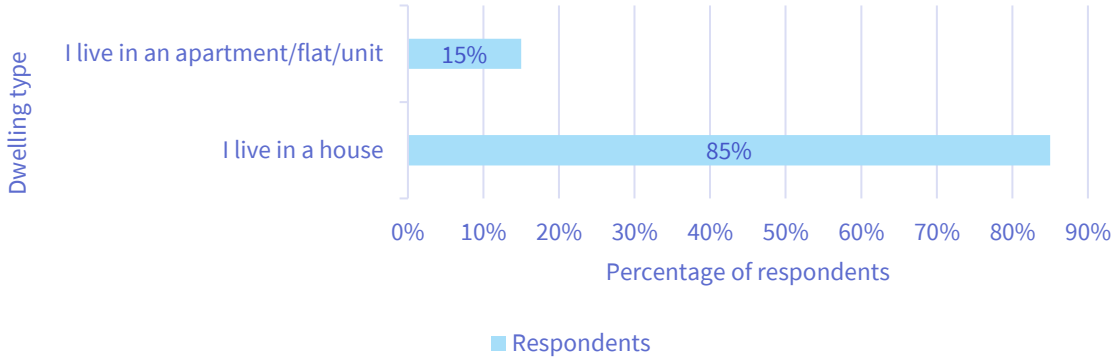
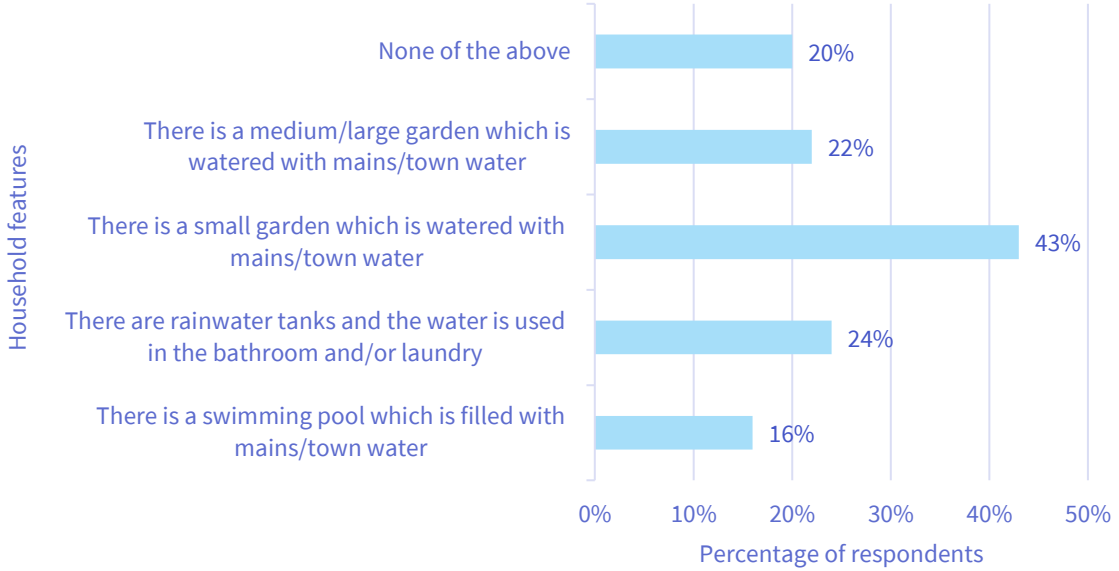


Figure 7 Respondent household features (n=773)

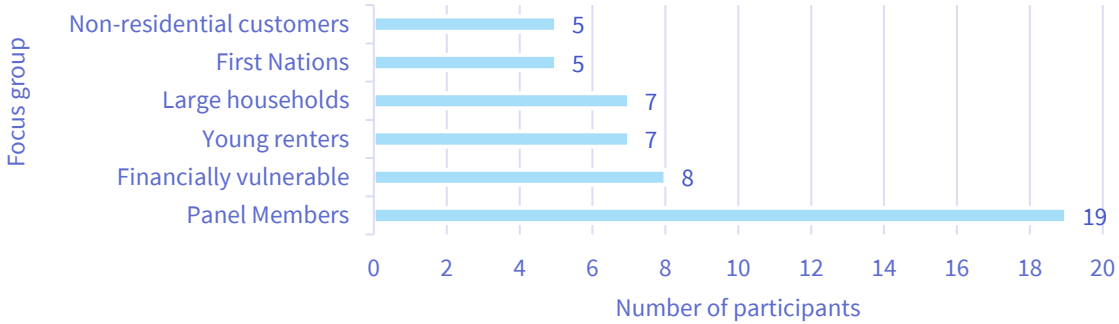


3.2 Focus group participants

Focus group participants represented a range of Hunter Water customers

We invited focus group participants from a range of stakeholder cohorts representing Hunter Water customers. The focus groups were held with young renters, panel members from the deliberative forum, non-residential customers, people from large households, first nations customers, and customers experiencing financial vulnerability (see Figure 8).

Figure 8 Focus group participants



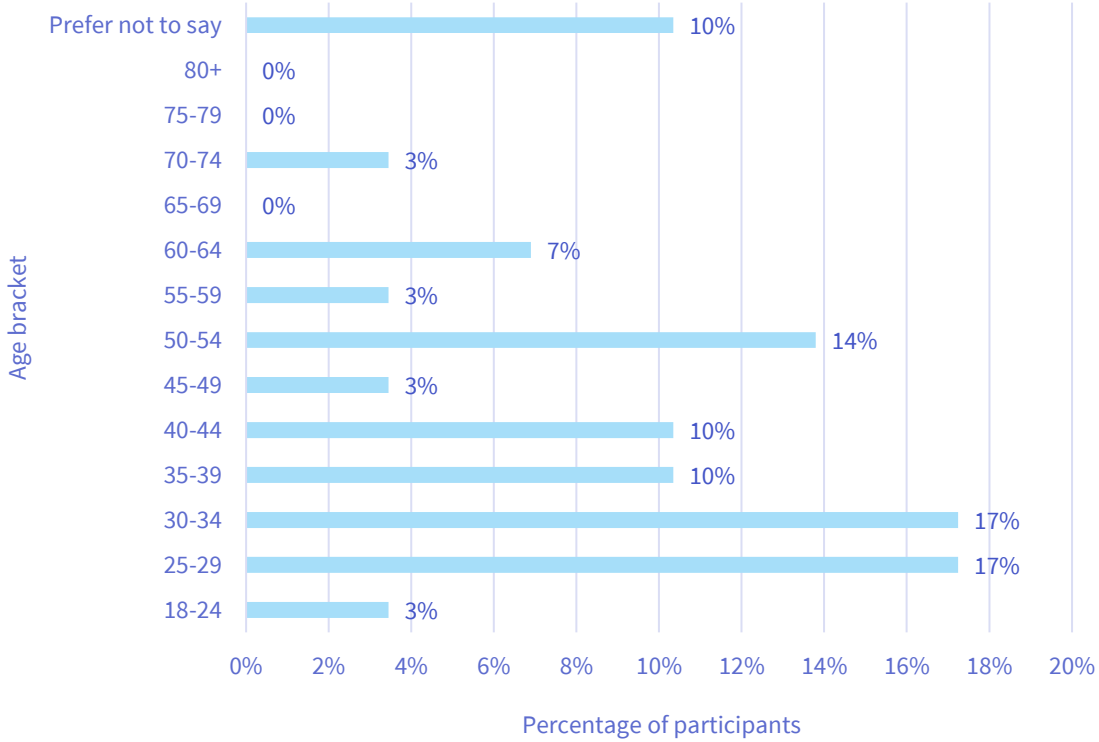
Participants' gender, diversity and age

A total of 29 focus group participants were recruited by an external recruitment firm. The panel members and non-residential groups were recruited separately. The data shown in the following figures describes the characteristics of the participants provided by the external recruitment firm.

Of these 29 focus group participants, 34% identified as male and 62% identified as female. A total of 28% identified as Aboriginal or Torres Strait Islander.

Respondent ages were spread across the age brackets, with the highest proportion of participants aged 25-34 years old (34%) followed by those aged 35-44 years old (20%), then those aged 50-54% (14%) (see Figure 9).

Figure 9 Focus group participant age (n=29)



Home ownership, financial situation, education and location

Nearly half of the focus group participants (48%) lived in a house where they were paying off the mortgage (see Figure 11). A total of 31% participants were renting, and the remaining 20% was split equally between those living with their parents (10%) and in houses that they owned outright (10%).

Two thirds of participants (62%) indicated they had struggled to pay their bills in the last five years and just under a quarter (21%) had asked for financial assistance with their bills in the last five years.

For almost two-fifths of participants, (38%) the highest level of education was a TAFE/college qualification (see Figure 10). About one quarter (24%) had a postgraduate university degree and 17% had an undergraduate university degree. Of the remaining participants, the highest level of education was school (17%), and 3% had a professional qualification.

Most participants (52%) were from the Newcastle local government area. A total of 28% were from Lake Macquarie and 14% from Maitland. There was also one participant from Cessnock and Port Stephens respectively.

Panel members

The deliberative forum panel members were invited via email to participate in the focus group (n=19).

Non-residential customers

The non-residential participants were recruited directly by Hunter Water and represented five business types. These were a gold club, a shopping centre (two participants), a commercial laundry, a wholesale meat business and a hotel.

Figure 10 Highest level of education by focus group participants

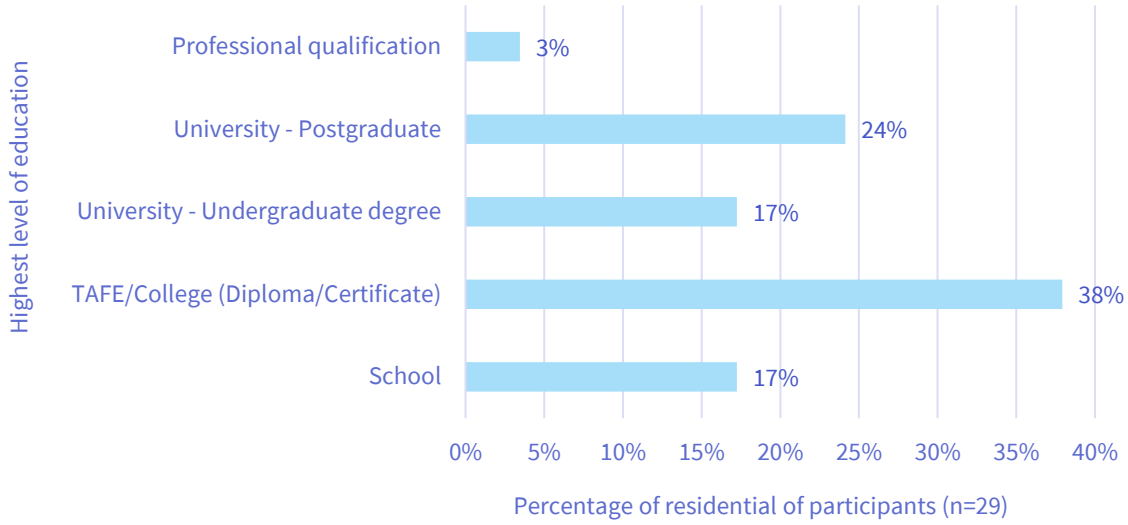
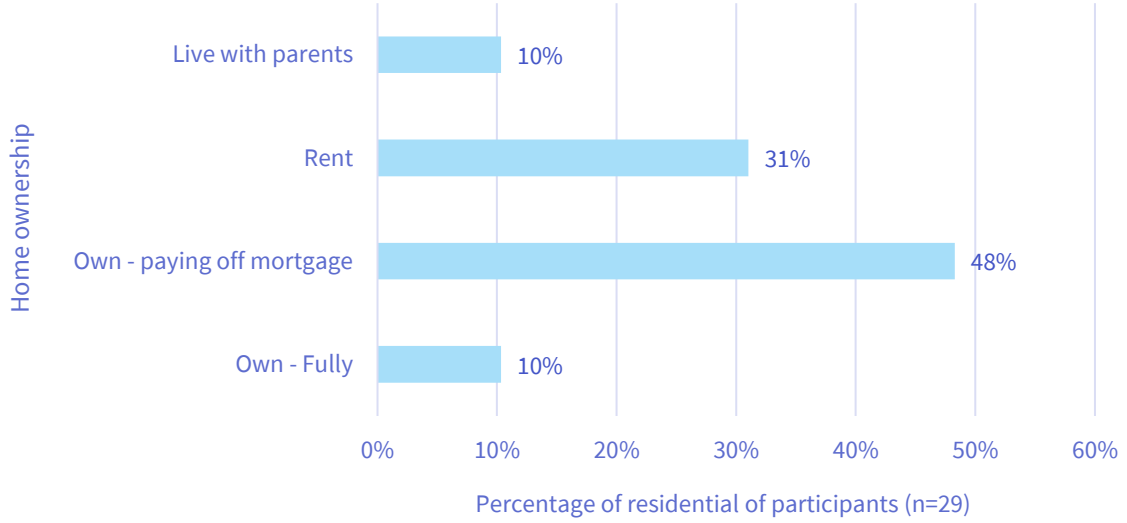


Figure 11 Home ownership of focus group participants



4.0 Key findings

4.1 Community values – Summary

We asked survey respondents to place the slider on the point in the scale which best represented how they think Hunter Water should balance the two priorities listed – in total there were eight statement pairs.

Survey respondents often contradicted themselves in the values questions

The overall results of the survey responses are on the next page – this includes the average response for each values statement. Respondents indicated a preference for being able to influence their bill by using less water. Simultaneously, they also tended to prefer bills that are simple and easy to understand. These two preferences can be at odds with each other. This is more obvious with the option of reintroducing a variable wastewater treatment charge. People tended to want more control over their bill for the purposes of being able to lower it. At the same time, there was little evidence that large users realised that if bills are made more variable, then their bills would rise. Although their bill will be more controllable, that control would come from a much higher base. In effect, a large user who argued for more variable bills is saying "I am prepared to pay the same as I'm paying now for less water". We do not fully undertsand if people are really prepared to trade water for empowerment on this basis of these results.

Focus groups participants were surprised with some of the survey results

During the focus groups we presented the pairs of values statements, asked participants to read them, and contemplate their individual preferences. We then presented the results of the survey. The overall results from the survey results and their views of the sophisticated stakeholders are in Appendix C.

We asked participants to consider the similarities and differences, we then invited Hunter Water to reflect on the responses – what they saw and if there is a single solution that matches all those preferences. In the focus groups we found that most participants were comfortable with the values shown in the survey and felt they aligned with their personal opinions as well.

Discussion included the trade-off between accuracy and ease of understanding, control over their bills and getting the balance right between abundant water use and water conservation.

- *"My interpretation of the survey is saying that people would like some control over their bill but don't want full control. We should be responsible and be able to save money but don't want to have it too far that way. People like to have some control of their own destiny, and that is showing. If they can save the money they'd like to."* – Panel member
- *"Prices should be simple but also accurate because you don't want simplicity to trump accuracy"* – Large household
- *"I think the survey results follow with what I think. I'd also probably tend to steer towards a user pays system that encourages water saving but we've also all been brought up with a very strong moral of water conservation in Australia. I'd stick towards saving water but that's probably because of my inbuilt bias"* – First Nations

A summary of the key points from the focus group discussions is on page 20.

Figure 12 Overall results from the survey - community values slider (n=773)

Bills should be accurate and be easy to understand

The most frequent reflection made by participants at the focus groups was the balance between simplicity and accuracy. There was tension in the discussion amongst participants as to whether bills should be accurate or simple, with a few asking why bills couldn't be both. In this discussion, participants often felt an accurate bill would mean customers are paying for what they use.

- *"Bills should be easy to understand but also accurate. Customers should pay for what they use."* – Large household
- *"Looking at my water bill now, I love that it's easy and I understand it and if I wanted to know more, I could find that information."* – Financially vulnerable
- *"Why can't the bill be simple and accurate at the same time?"* – Large household
- *"[the results of] accuracy versus simplicity surprises me, I would prioritise accuracy every time."* – First Nations

People want more control over their bill

Throughout the focus groups we heard that customers want more control over their bill. Specifically, it was often felt that if participants changed their behaviour and reduced their water usage, they would expect to see a decrease in their next bill.

- *"My interpretation of the survey is saying that people would like some control over their bill but don't want full control."* – Panel member
- *"It should be easy to influence your bill, if you're trying to reduce your bill you should be able to."* – Large household
- *"Accuracy over simplicity. Key for individual households to understand how they can reduce their bill. Blanket numbers mean you don't know where you can start making some savings."* – Financially vulnerable

Water conservation versus abundant water use

Participants expressed surprise about the survey results regarding how water is charged. Specifically, whether charges should allow for abundant water use to encourage green lawns… or encourage water conservation. Participants who commented on this finding felt that the overall survey result should have been closer to the water conservation end of the spectrum.

- *"Having green lawns and gardens are nice but we also shouldn't be wasting water, I like the idea of allowing for abundant water use but we also need our resources."* – Large household
- *"I'd probably tend to steer towards a user pays system that encourages water saving but we've also all been brought up with a very strong moral of water conservations. I'd stick towards saving water but that's probably because of my inbuilt bias."* – First Nations
- *"I thought everyone would choose the right and encourage conservation … the answer came as a surprise to me."* – Financially vulnerable
- *"I thought people would have stronger opinions about water conservation because we live in a region that recently had water restrictions."* – Panel member

4.2 Water price increases

Continuing to provide the same level of service is becoming more costly – customer prices will need to increase

During the focus group discussions, we asked participants about increases to water prices. Following a presentation of information and quotes from the survey respondents and sophisticated stakeholders, we asked them which of the three options is in the best interests of customers and the community in the region. The three options were:

1. All in the fixed price,
2. In both the fixed price and the variable (usage) price, or
3. All in the usage price.

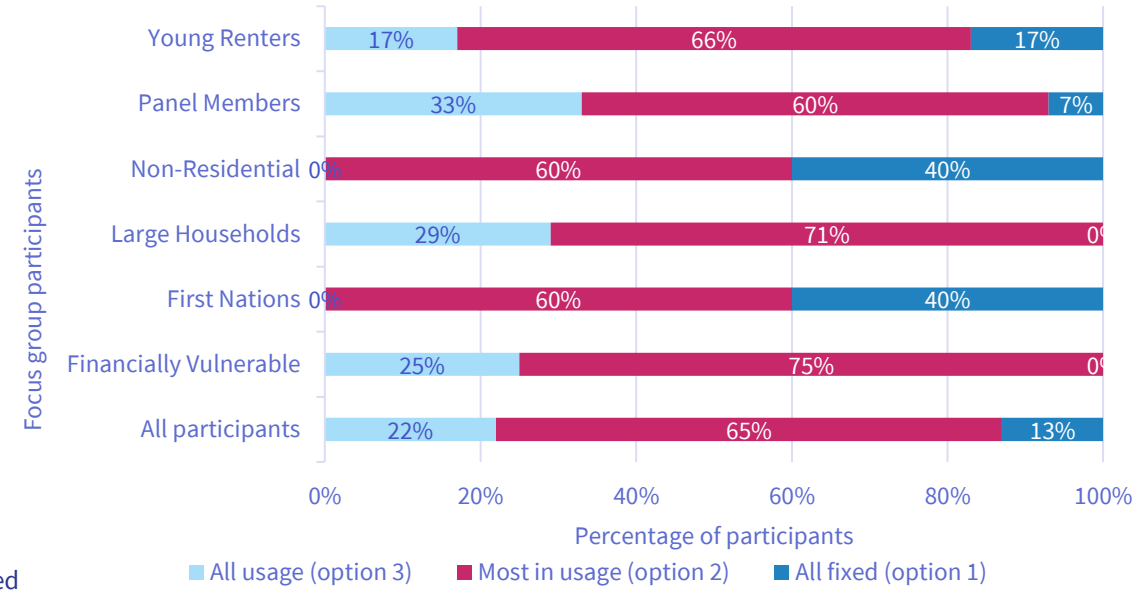
The information provided to the participants for each of the options included the fixed and variable charge for each household over five years and how much different households will pay. A copy of the thoughts from sophisticated stakeholders is in Appendix C and a copy of Hunter Water's slides are in Appendix D.

While survey respondents were not directly asked this question, at the end of the survey they were asked to add anything else about the tariff structure for water and wastewater. There were some comments that focused on water specifically and have been included in these findings.

Most prefer the water price increase to be passed through in a combination of the fixed and variable charges

Across all the focus groups, the most popular choice was the combination option with almost two thirds of participants (65%) indicating this as their preference (see Figure 13). A further 22% chose to put the increases exclusively in variable charges and the remaining 13% elected the fixed charges. A higher percentage of non-residential and First Nations participants chose all fixed than the other groups. None of the large household participants or those experiencing financial vulnerability chose the fixed charges option.

Figure 13 Results of water price increases poll



Equity and fairness for the whole community

Equity and fairness for the whole community were the most frequently cited reasons in favour of the combination option. Participants often said that they have a role in supporting those members of the community who can't change their water usage such as those with large families, who are carers and might need to do frequent washing. Additionally, focus group participants discussed the impacts on some carers for the disabled who also need to use lots of water. A common theme for participants was how these charges would disproportionately affect larger households or those who can't reduce their water usage.

A few participants acknowledged that this option was not the best for them but still chose it for the wider community. Similarly, some participants noted that while a variable charge would benefit them now, once they have a family it will act against them.

- *"I'm a household of two, but once we grow a family, I would not like to be paying that larger household price."* – Financially vulnerable
- *"Should you be punished because you have a large family?"* – Panel member
- *"I also went with number two. I thought that seemed the fairest."* – Large household
- *"I picked two even though scenario three would have been best for me but that will impact people with less money and big families. The conversations around tenants made me realise it's not just about my own household and we have to look out for the community."* – First Nations
- *"I chose option two, but I would have liked to choose three for selfish reasons."* – Panel member
- *"…I could see what would be best for me, but I see that I have a role in helping other people. Large families who can't limit their water usage due to the number of people in the house or people with disabilities. I felt number two was giving something to everyone."* – Panel member
- *"Make things fair for all households."* – Survey respondent

Consider the impacts on tenants

In some focus groups the conversation of this topic shifted to how water bills are split between tenants and landlords. Because landlords pay the fixed portion of the bill some people felt this is where the increase should be. Others claimed that there are less options available to tenants, for example they have less awareness of what they use or what it costs as they don't receive a bill and have less incentives to install things like water tanks.

Similarly, it was also noted that tenants don't often have the ability or control to make the kinds of changes available to customers who own their home.

- *"All in the fixed charge, because the cost is going to people who own property in the fixed charges. Tenants are already paying huge rent increases to cover these prices. I don't want to pay to keep my landlords assets maintained and connected."* – First Nations
- *"It does matter which part of the bill you increase because landlords and tenants will pay for separate parts of the bill and be influenced separately…My suggestions would be to work out where the cost increase is coming from and do a percentage increase over the two. Option two has the most balance because it has the middle."* – Financially vulnerable
- *"We have a strong conservation ethic, and we feel that a good way to help water conservation is to set a price signal (pay for what you use) but this will influence tenants more because they can't put in tanks or similar."* – Young renter

Reducing bills to respond to the impacts of the cost-of-living crisis

Participants described how people may want to reduce their bills due to the impacts of the cost-of-living crisis, and this may encourage them to use less water.

- *"Option two, cost of living means we need to be mindful of increasing prices and how it will impact people."* – Large household
- *"Option two can drive a lower cost in your water bill by using less makes option two more preferable."* – Panel member
- *"Water usage should be variable as lots of properties use excess water and some people are happy to try and save water and shouldn't be charged the same as someone who uses excess water."* – Survey respondent
- *"The most equitable approach is a user pays model. Currently unfair that someone who doesn't use a lot of water almost pays the same as someone who uses a lot."* – Survey respondent

A price signal for water conservation

Some respondents felt that individuals should take the time and effort to understand how to conserve water and that the balance between fixed and variable would be an incentive to encourage households to save water. Similarly to the focus group discussions, survey respondents were concerned that a user pays model will impact families and other larger households.

- *"People have to learn/understand how to conserve their own water usage - I think it is up to the individual."* – Survey respondent
- *"…it is best to look after people who are responsible and make a genuine effort with their use of water where possible."* – Survey respondent
- *"We have a strong conservation ethic, and we feel that a good way to help water conservation is to set a price signal (pay for what you use) but this will influence tenants more because they can't put in tanks or similar."* – Young renter
- *"I chose option two according to the survey people don't seem that concerned about conserving water so I think they would make changes for a month or so to save water, but it wouldn't stick."* – Panel member

A higher proportion of non-residential participants chose the all fixed option

A higher proportion of non-residential participants chose the all fixed option than the other groups, and no one in this group chose the exclusively in variable charges option. The reasons cited during the discussion were that they are attempting to save water use wherever possible, and that fixed gave them predictability over their bills. Others said they were unsure of the best options so went with the middle options, or that both the fixed price and the variable price felt like the fairest option.

- *"We're always trying to look at water saving and have some control on the amount of water we choose…But it feels really hard to pass on the costs to smaller businesses."* – Non-residential
- *"Tough decision. I thought I would have gone for the usage because it's controllable but looking at those figures I wasn't comfortable with that, so I sat it the middle mostly because I'm still not sure."* – Non-residential
- *"I chose fixed options based on the billing of my centre. I want to be predictable so it's easier to budget and save."* – Non-residential

4.3 Preferences for wastewater pricing

Making the wastewater prices variable will have varying impacts on customer types

We asked survey respondents and focus group participants about their preferences for wastewater pricing. Survey respondents were asked to consider which of the three scenario options is in the best interest for them. We then asked them the same question but asked them to consider what scenario is best for the community as a whole. The survey included information showing bills for different household customer types under the current arrangement, under the alternative arrangement and how much the total amount payable for wastewater for the year could vary if they saved water. Focus group participants were not specifically shown this level of detail, but the quantum of influence they could have on their bills was described.

The focus group participants (except for the non-residential focus group) were also asked this question. We asked them to answer it twice, first before we presented information and then again after information was presented (see Appendix C and Appendix D for information presented) – we then discussed whether their response changed and why.

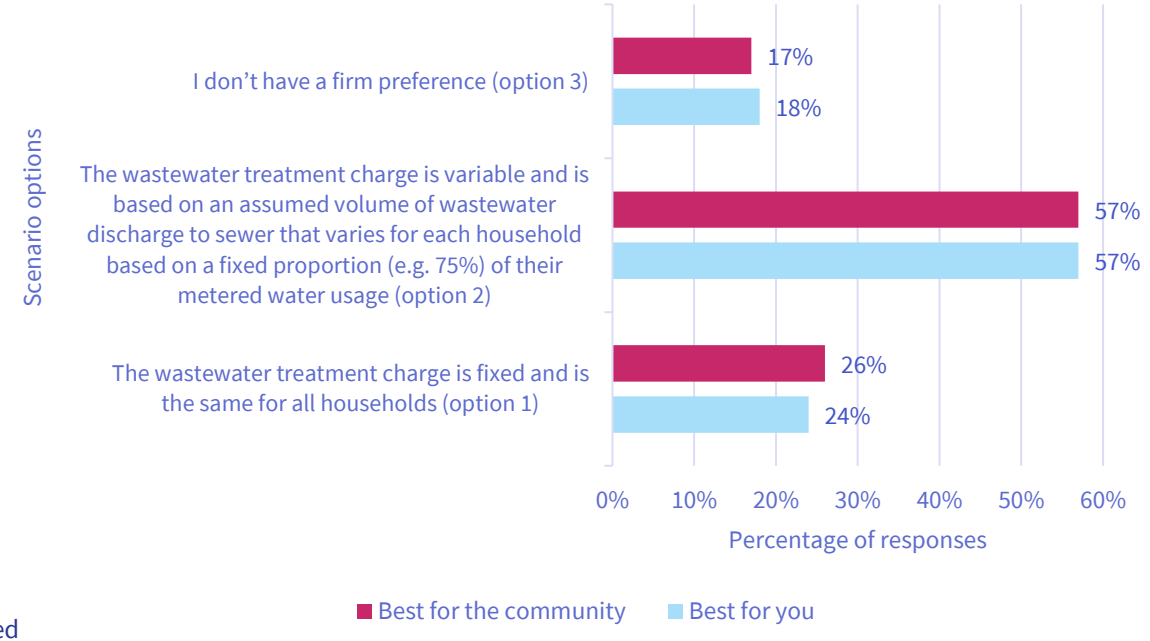
The three scenario options were:

1. The wastewater treatment charge is fixed and is the same for all households,
2. The wastewater treatment charge is variable and is based on an assumed volume of wastewater discharge to sewer that varies for each household based on a fixed proportion (e.g. 75%) of their metered water usage, or
3. I don't have a firm preference.

Most survey respondents want a variable wastewater treatment charge

We asked respondents to consider three scenarios and chose which one is best for them. We then asked them to think of what is best for the community. In both questions, over half of respondents (57%) chose "The wastewater treatment charge is variable and is based on an assumed volume of wastewater discharge to sewer that varies for each household based on a fixed proportion (e.g. 75%) of their metered water usage" (see Figure 14).

Figure 14 Survey responses to which of the following wastewater scenarios is best (n=715)



Survey respondents' choice was driven by fairness, incentives and water use, and minimised impacts on vulnerable customers

Respondents were asked to select their three most important considerations when choosing the scenario they think is best for the community as a whole. The top three responses related to overall fairness (45%), providing the right incentive for water use (38%), and impacts on low-income or fixed-income households (36%) (see Figure 15).

When invited to provide further comments some respondents gave further details on their choices.

- *"To have another bill come through with the unknown of what the charge will be, could be enough to push some families over the edge."* – Survey respondent
- *"There should be an incentive for people to use water more sparingly."* – Survey respondent
- *"Wastewater should be a fixed charge based on resident type. Not the amount of water being used."* – Survey respondent
- *"I think the fact that Hunter Water cannot calculate the amount of wastewater each household produces means it is probably easier and fairer to have a set rate for all households."* – Survey respondent
- *"Hunter Water users should be encouraged to minimise water usage and influence their costs by having a cost structure that rewards water savers."* – Survey respondent

Figure 15 Most important considerations (n=715)

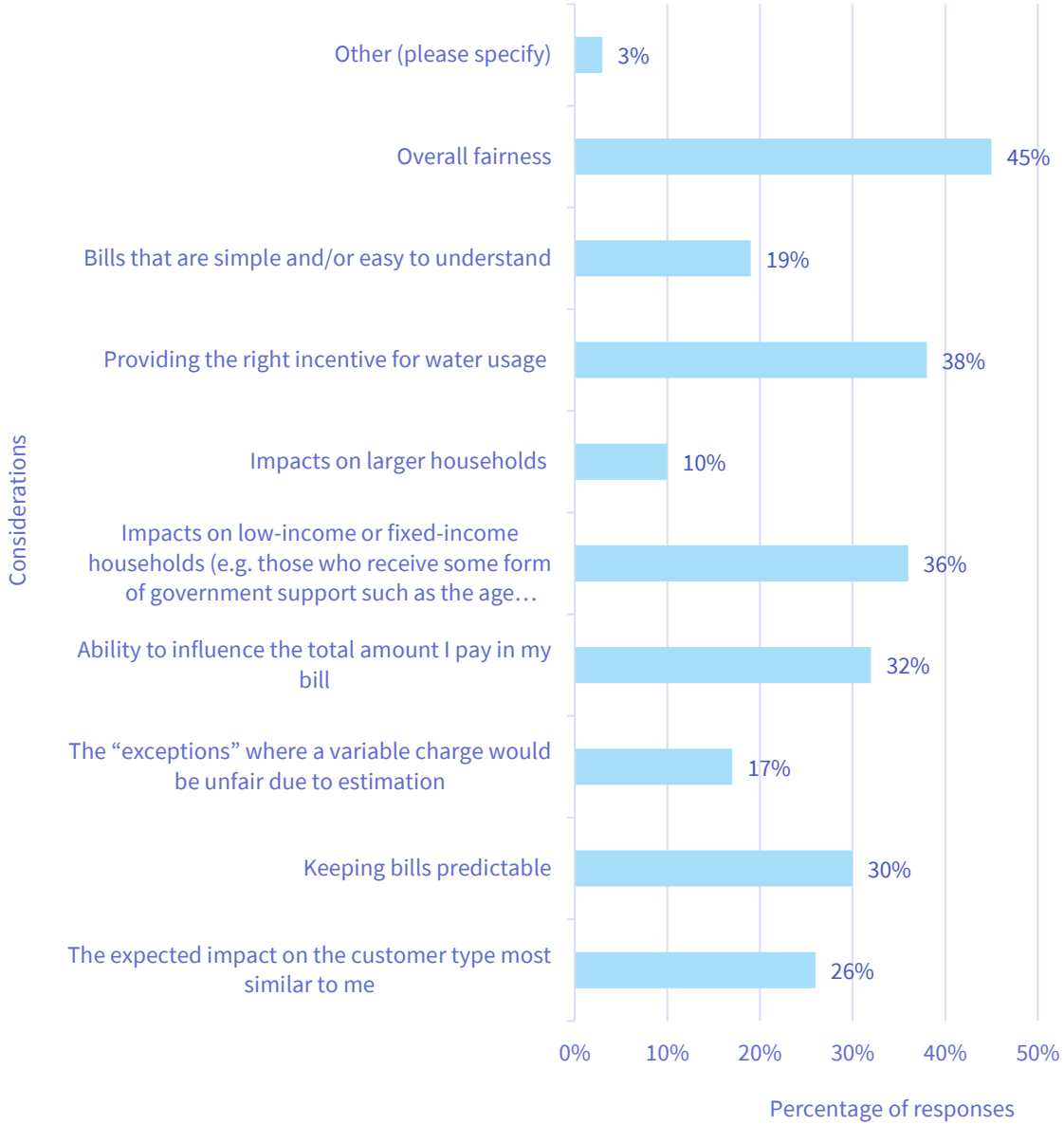
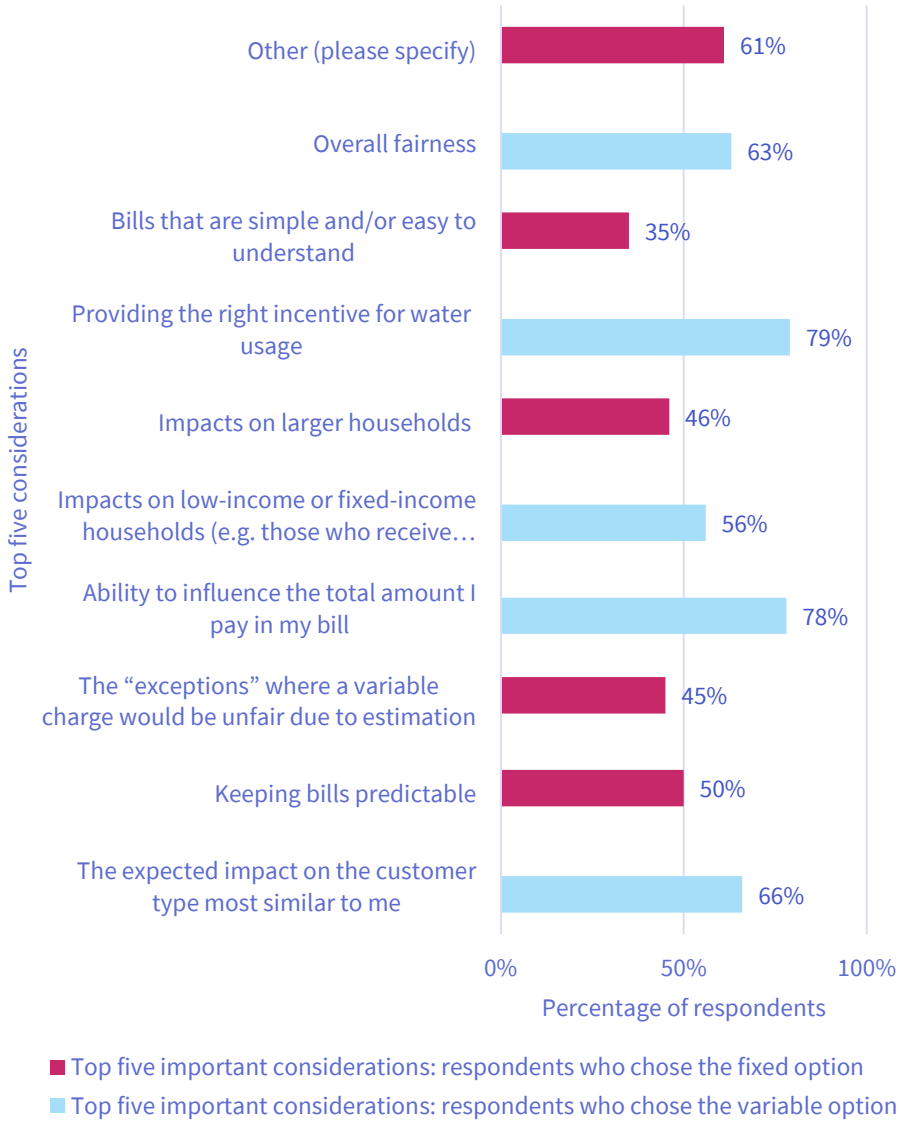


Figure 16 Reason for wastewater preference by preference



The top five reasons behind each wastewater preference option are unique

Following the question about which wastewater option was the best for the community respondents were then asked why they chose their option, from a list of multiple-choice options. Figure 16 shows the top five important considerations for respondents who chose the fixed option and the top five important considerations for those who selected the variable option.

There is no overlap of reasons between the two tariff options – the considerations chosen by those who selected fixed choice option was not the same as those who chose the variable option. Respondents who chose the fixed option were less aligned in the reasons behind their choices. The most popular consideration for fixed charges was selected by 61% of those respondents, whereas the most popular consideration for those who prefer variable charges was a contributing factor for 79% of respondents.

The top five considerations behind respondents' choice for a variable charge were:

1. Providing the right incentive for water usage
2. Ability to influence the total amount I pay in my bill
3. The expected impact on the customer type most similar to me
4. Overall fairness
5. Impacts on low-income or fixed-income households (e.g. those who receive some form of government support such as the age pension or disability pension)

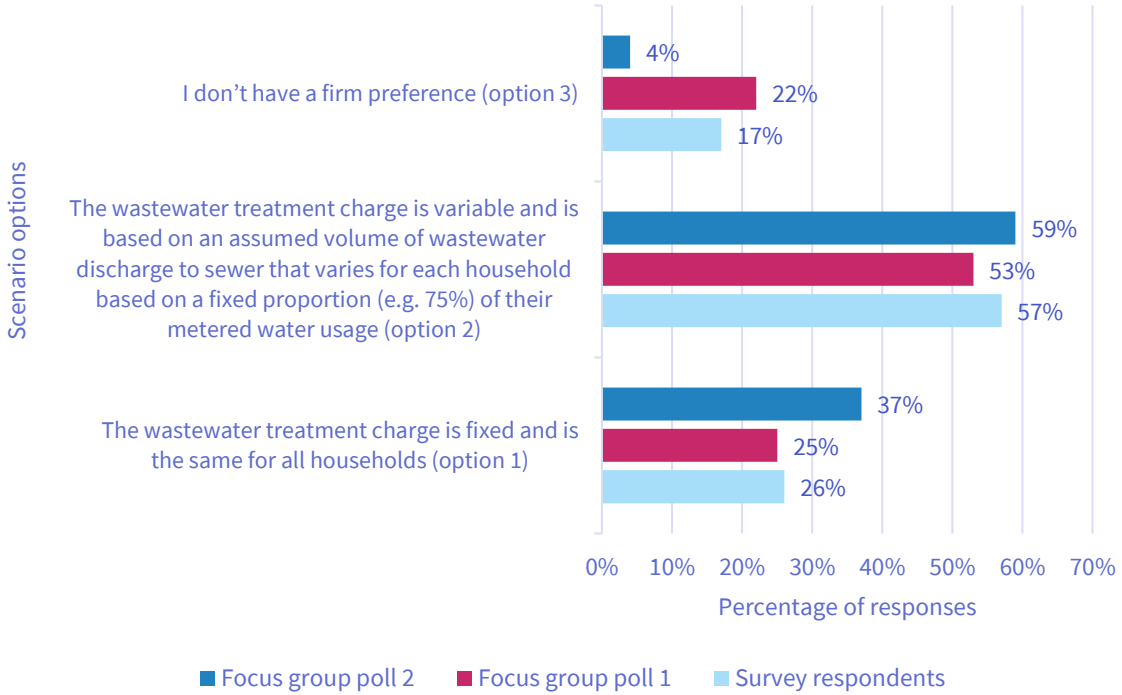
The top five considerations for respondents who chose a fixed option were:

1. Other (key reasons included reducing the administration burden on Hunter Water and that the impacts are limited)
2. Keeping bills predictable
3. Impacts on larger households
4. The “expectations” where a variable charge would be unfair due to estimation
5. Bills that are simple and/or easy to understand.

Most focus group participants think a variable wastewater treatment charge is best for the community

The results for the focus group were similar to the survey results – most want a variable wastewater treatment charge. Between the first and second poll – after participants were shown information about the topic including thoughts from sophisticated stakeholders and results from the survey – those who want a variable charge increased from 53% to 59% (although this result was heavily influenced by another option proposed by a participant that is administratively impractical and would likely lead to under-recovery of Hunter Water's revenue requirement) (see Figure 17).

Figure 17 Responses to which of the following wastewater scenarios is best



The number of respondents who chose the fixed charge scenario as best for the community also increased by 12% between the first and second poll. Young renters preferred fixed both before and after the discussion. Conversely, First Nations customers preferred variable before the discussion, and then preferred fixed after the discussion (when we look at the majority position in polls for each focus group).

Participants who chose the variable scenario did so for user pays and fairness

Similarly to the survey respondents, the reasons behind the focus group participants' scenario choices centered on overall fairness and paying for the water used (due to the lack of accuracy available for wastewater).

- *"I've always found it a bit of a rip off to have a fixed charge, I just think it's a lot fairer if you just pay for what you use."* – Panel member
- *I agree with the 75% to make it fair for all households. It's a choice to have a pool but it would affect larger households in the long run unfortunately."* – Financially vulnerable
- *I think it's difficult. I think the fixed price is good but thinking of the community most people are low to medium income brackets so it might be better for variable.* – First Nations

Participants who chose the fixed scenario did so for equity and accuracy

Those focus group participants who chose the fixed scenario said it was because it's more equitable between household types including renters. They also said it was due to estimations never being accurate.

- *"I think the fixed is best. If you can't measure it accurately just share the cost of providing the service between households."* – Large household
- *"I picked fixed because it's more equitable… While it's not possible to hand fixed costs through to tenants, landlords could use this to discriminate against large households."* – First Nations
- *"Still agree with initial choice. Should be fixed because estimations will never be accurate. Different amounts go into wastewater."* – Young renter

People are more likely to opt for fixed wastewater charges as their knowledge on the topic increases

As both survey and focus group participants become more educated on wastewater charges, they also became more likely to prefer fixed charges for wastewater. This was an increase of 19% (see Figure 18).

Respondents who failed the assessment questions were the least likely to prefer a fixed charge. The focus group participants were the most likely to select the fixed charge after they had been given the wastewater information.

- *"Before the explanation I would have chosen variable but now I think fixed rate is preferable."* – Young Renter
- *"I picked variable but listening to everyone I'm thinking fixed might be better. Fixed is much simpler and the variable is an estimation. Originally, I choose variable because it didn't seem to disadvantage anyone but now, I'm less sure about that."* – Panel Member
- *"I always thought it was variable and thought that was fair but learning more about it and special cases like filling up pools or watering gardens made me realised it's not always equitable. I changed to fixed because it's more equitable."* – First Nations

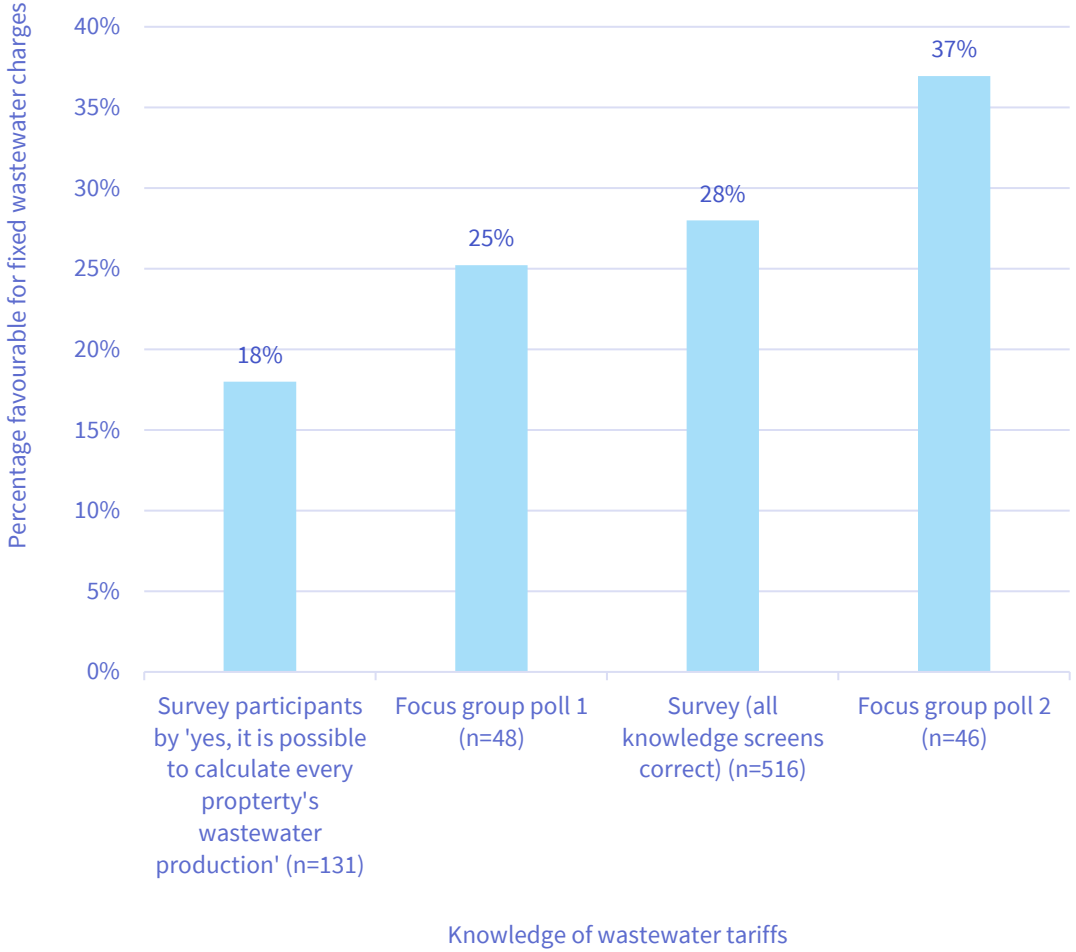
Many participants' reasoning behind their choice on wastewater did not align with their actual choice

Of the 179 respondents who got all the assessment questions correct, and said a contributing factor to their wastewater choice was the impacts on low-income or fixed-income families, 36% choose a variable charge.

While these people were most likely well intended and possibly thought that with a variable charge low-income households could use less water and therefore decrease their bills, this is not the case for most households. The option most in line with these peoples' values the fixed charge option.

Many participants also shared they would like to have the ability to influence their bill through changing their behaviour when it comes to water use. Often these participants did not understand that even with the best of intentions these types of changes are difficult to maintain to see a change in bill.

Figure 18 Preference for fixed charges by topic knowledge



4.4 Pace of water price changes

The cost of essential services is rising but we have an option as to how gradual the higher prices are introduced

This question was tested in the quarterly survey. The quarterly survey results were shown to the focus groups and people were asked for their own reaction to the question, and the reasons for it. In the quarterly survey, 68% of respondents recommended a phased approach, compared to just nine percent who favoured a P0 approach.

The extra costs should be phased in gradually

In the focus groups, the preference for a phased approach was almost unanimous. Of the 51 participants all except two indicated a preference for five smaller increases rather than a P0 approach. This was an even stronger preference than was apparent in the survey, possibly because the magnitude of the increase was more obvious.

Reasons for the phased approach included the current cost of living pressures, ease of budgeting and minimising bill shock. The two participants who preferred the P0 approach were both from the young renter group and they explained they wanted to simplify their budgets.

- *"One big step will feel a lot bigger financially. Also, I'm bad at planning so having to find the extra money for the big step would be hard."* – Young renter
- *"Smaller steps make sense to me; it account for periods like now when inflation is high, and every other service/bill is more expensive."* – Panel member
- *"Over the five years, this is so it's easier for people on fixed incomes like Centrelink. That ways it's much more manageable."* – First Nations

This view was also apparent in the non-residential group where all participants agreed on a phased approach. This was largely because businesses must pass their cost onto customers, and they would prefer to keep price increases of their services minimal.

- *"We've got to pass the charges on to our customers and if they all go up as little bits it's easier to pass on."* – Non-residential
- *"For our business we charge our members for the service, it's a lot easier to gradually increase that price. Better received from the customers that way."* – Non-residential

Appendices

- **Appendix A: Tariff survey**
- **Appendix B: Focus group agenda**
- **Appendix C: Community Compass**
- **Appendix D: Focus group slides (residential customers)**
- **Appendix E: Focus group slides (non-residential customers)**

Appendix A: Tariff survey

Appendix A: Tariff survey

Tariff Structures Survey 2024

Draft mode. Please don't attempt to complete the survey.

Welcome!

Your opinions play an important part in the decisions we make at Hunter Water.

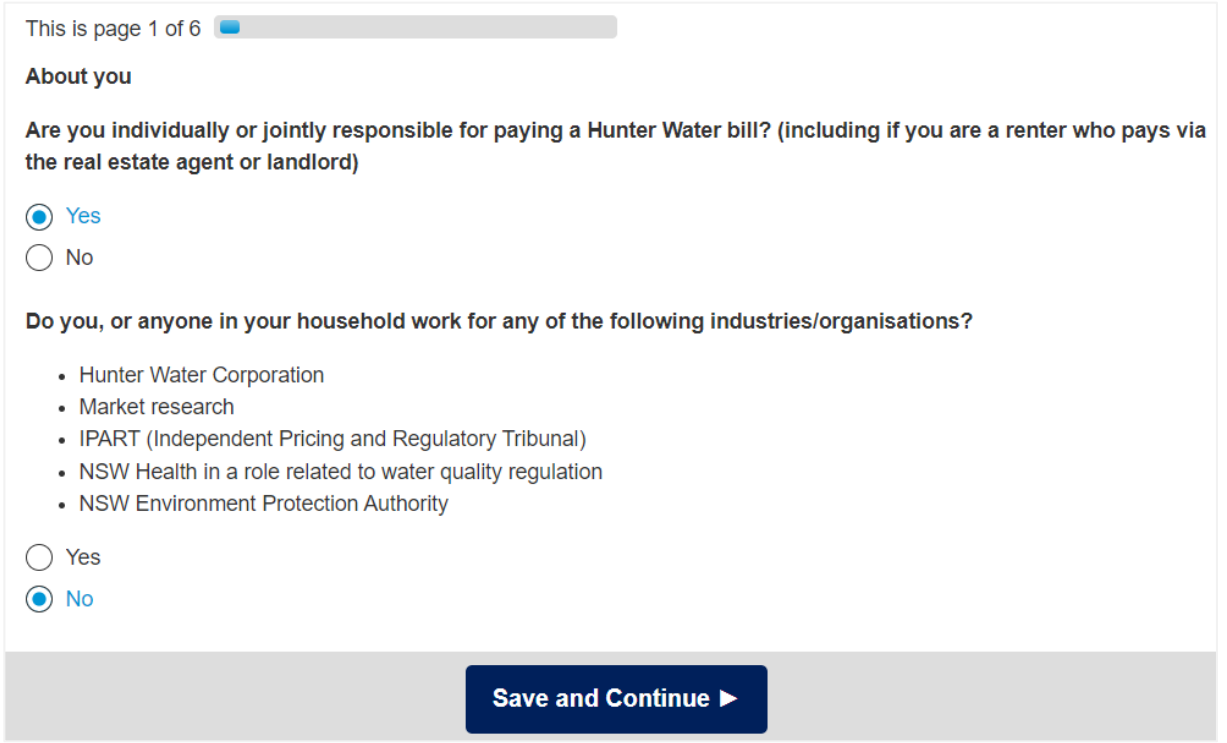
We are currently planning our prices and services for 2025 to 2030. This planning takes time, and there are many opportunities for you to participate.

Throughout the process, customers have expressed views about the **balance between the fixed and variable charges on our bills**. The results of this survey will inform our pricing proposal that will then be reviewed by the Independent Pricing and Regulatory Tribunal (IPART), which sets our prices. We will keep you informed, listen and acknowledge your concerns, and provide feedback on how public input has influenced our decision throughout this consultation.

To find out more about our community engagement program and how our prices are set, please click here.

This survey should take approximately 10 minutes to complete, is completely anonymous and will only be reported in combination with other responses.

Start Survey ►



This is page 1 of 6

About you

Are you individually or jointly responsible for paying a Hunter Water bill? (including if you are a renter who pays via the real estate agent or landlord)

- (●) Yes
- ( ) No

Do you, or anyone in your household work for any of the following industries/organisations?

- Hunter Water Corporation
- Market research
- IPART (Independent Pricing and Regulatory Tribunal)
- NSW Health in a role related to water quality regulation
- NSW Environment Protection Authority

- ( ) Yes
- (●) No

Save and Continue ►

Appendix A: Tariff survey

This is page 2 of 6

Which age group do you fit into?

- ◯ Under 18
- ◯ 18-24
- ◯ 25-29
- ◯ 30-34
- ◯ 35-39
- ◯ 40-44
- ◯ 45-49
- ◯ 50-54
- ◯ 55-59
- ◯ 60-64
- ◯ 65-69
- ◯ 70-74
- ◯ 75-79
- ◯ 80+
- ◯ Prefer not to say

What is your gender?

- ◯ Male
- ◯ Female
- ◯ I use a different term
- ◯ Prefer not to say

Do you identify yourself as an Aboriginal person and/or Torres Strait Islander?

- ◯ Yes
- ◯ No
- ◯ Prefer not to say

Are you a concession card holder?

- ◯ Yes
- ◯ No

Do you own or rent your home?

- ◯ Own outright
- ◯ Paying off a mortgage
- ◯ Rent
- ◯ Other

Which of the following best describes your current financial situation?

- ◯ Live comfortably
- ◯ Meet basic expenses with a little left over for extras
- ◯ Just meet basic expenses
- ◯ Don't have enough to meet basic expenses
- ◯ Prefer not to say

Which of the following best describes your level of interest in water?

- ◯ Close to zero
- ◯ I'm mildly interested
- ◯ I'm very interested
- ◯ I'm passionate about water

Appendix A: Tariff survey

How many people live in your household? (please select one)

- ◯ There are one or two people usually living here
- ◯ There are three or four people usually living here
- ◯ There are five or more people usually living here

Which of the following best describes your dwelling type? (please select one)

- ◯ I live in a house
- ◯ I live in an apartment/flat/unit

Which of the following features apply to your household? (please select all that apply)

- ☐ There is a swimming pool which is filled with mains/town water
- ☐ There are rainwater tanks and the water is used in the bathroom and/or laundry
- ☐ There is a small garden which is watered with mains/town water
- ☐ There is a medium/large garden which is watered with mains/town water
- ☐ None of the above

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This is page 3 of 6

Part 1 – Your values/principles

Place the slider on the point in the scale which best represents how you think Hunter Water should balance the two priorities listed for water and wastewater:

Bills shouldn't change much with water usage, making it easier to budget		It should be easier to influence the size of the bill by using less water
Prices should be simple so that bills are easy to understand		Prices should prioritise accuracy over simplicity, even if it makes bills more complex to understand
The way we charge for water should allow for abundant water use, e.g. encourage green laws, gardens, public parks, and sports fields		The way we charge for water should encourage water conservation
It's important that charges directly reflect the costs to provide services		It's important that customers can influence the size of their bill by changing their behaviour
Bills should be fair to large households that need to use more water		Bills should be fair to small households that may not need to use much water
Charges should be set in a way that minimises the bills that tenants receive (Tenants may be less able to conserve water, and be more financially vulnerable)*		Other principles are more important to me
Where usage can't be accurately measured, everyone should pay the same		Where usage can't be accurately measured, we should estimate it
Customers should pay for what they use		Customers should pay the same irrespective of what they use

*Landlords can pass the water usage charge through to tenants

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Appendix A: Tariff survey

This is page 4 of 6

Part 2 – Preferences for wastewater (sewer) pricing

This is an important topic. To give a well-informed response you will need to read and understand the background information, below.

Wastewater, also known as sewage, is the water and anything that is added to it that comes from your sinks, bathrooms, showers, toilets and laundry.

Hunter Water charges customers for water and wastewater services. Prices for these services are set by IPART, an independent regulator (www.ipart.nsw.gov.au) to reflect what it costs to build and run the systems.

Wastewater (sewer) bills for households are currently fixed. Every household pays the same. The fixed charge is made up of two parts:

- a fixed service charge; and
- a fixed usage charge based on a pre-determined level of wastewater produced that is assumed to be the same for all households.

Hunter Water is seeking your views on whether the usage charge you pay for your wastewater to be treated should be variable, based on an estimation of how much wastewater each household produces.

A move to a variable wastewater treatment charge, would mean that customers would no longer pay the same, rather some customers would end up paying more, and others would pay less based on an assumption about how much wastewater the customer discharges to Hunter Water's system.

Note that **Hunter Water would receive the same revenue under all scenarios**.

Information to help you decide

No wastewater meter

It is prohibitively expensive and technically difficult to put a meter on the sewerage pipes leaving each property.

Any variable treatment charge would need to be based on an **estimation** of the amount of wastewater created

Currently Hunter Water assumes that all residential customers generate the same amount of sewage each year (120 kilolitres).

Under an alternate approach, the amount of mains/town water that each property used would be the basis for the estimation of how much wastewater they produced. Hunter Water could assume that 75% of water that came onto the property left the property as wastewater. **All households would have the same assumption applied**.

If your water usage changed then your wastewater treatment charge would also change. This makes sense in most scenarios, but not for example if:

- a household filled up a swimming pool. Their water usage would go up and so would the wastewater treatment charge, even though they weren't putting more water into the sewer.
- rainwater tanks are connected to the bathroom and/or laundry. In this case, water usage from Hunter Water is lower, and so is the wastewater treatment charge even if the amount of sewage leaving the property is the same as a house without a rainwater tank.
- a new garden was planted and watered from town/mains water. In this case the water usage would go up, and so would the wastewater treatment charge, even though no extra water was being put into the wastewater system.
- If the property is a flat or unit without a garden. In these properties, it is likely that nearly all of the water that enters the property also exits via the sewerage system, but the calculation would mean they were only charged for 75% of the water leaving the property.

Despite the exceptions above, making some of the wastewater charge variable would reward customers for using less water.

Appendix A: Tariff survey

To be clear:

- there is no feasible way to put meters on the wastewater system to make it accurate.
- there is no way to calculate each individual property's variable wastewater charge using a bespoke discharge percentage for that household. Instead, an assumption would be made based on the property's actual water usage.
- the total amount of money received by Hunter Water would not change if it were to introduce a wastewater treatment charge that varied based on a customer's water use.
- For rental properties, landlords would continue to fund the entire sewer service charge. The Residential Tenancies Act only enables landlords to pass on variable water usage charges to their tenants.

Understanding the issues

Is it possible to put meters on the sewage pipes leaving every property?

◯ Yes
◯ No

Is it possible to calculate every property's wastewater production separately?

◯ Yes
◯ No

Will Hunter Water receive more, less or the same amount of money in total if a variable wastewater treatment charge is introduced?

◯ More
◯ Less
◯ No change

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This is page 5 of 6

To be transparent about the effects of introducing a variable wastewater usage charge, we have included a table showing the effects on different household types based on an indicative future wastewater usage charge of $0.70:

	Pensioner household	Small household	Typical household	Large household
	 Household of one or two people who own their own home, live in a house, have relatively low water use, and receive a concession	 Household of one or two people who own their own home, live in an apartment and have relatively low water use	 Household of three or four people who own their own home, live in a house and have average water use	 Household of five or more who live in a house with a big garden and/or pool, who own their own home and have high water use
Estimated water usage each year	100 kL	110 kL	181 kL	290 kL
Pricing scenario A – no variable treatment costs				
Assumed volume of water discharged to sewer	120 kL	120 kL	120 kL	120 kL
Wastewater treatment charge ($0.70 per kilolitre)	$84	$84	$84	$84
Fixed amount paid per year	$715	$715	$715	$715
Total paid per year for wastewater	**$799**	**$799**	**$799**	**$799**
Proportion of wastewater bill that could vary	11%	11%	11%	11%
Pricing scenario B – variable treatment costs based on water usage				
Assumed volume of water discharged to sewer	75 kL	83 kL	136 kL	218 kL
Wastewater treatment charge ($0.70 per kilolitre)	$53	$58	$95	$152
Fixed amount paid per year	$715	$715	$715	$715
Total paid per year for wastewater	**$768**	**$773**	**$810**	**$867**
Proportion of wastewater bill that could vary	7%	8%	12%	18%
A household reducing water usage by 10% would reduce their bills	$5 per year	$6 per year	$10 per year	$15 per year

Appendix A: Tariff survey

Which of the following scenarios is best for you?

- ◯ The wastewater treatment charge is fixed and is the same for all households
- ◯ The wastewater treatment charge is variable and is based on an assumed volume of wastewater discharge to sewer that varies for each household based on a fixed proportion (e.g. 75%) of their metered water usage
- ◯ I don't have a firm preference

Which of the following scenarios is best for the community as a whole?

- ◯ The wastewater treatment charge is fixed and is the same for all households
- ◯ The wastewater treatment charge is variable and is based on an assumed volume of wastewater discharge to sewer that varies for each household based on a fixed proportion (e.g. 75%) of their metered water usage
- ◯ I don't have a firm preference

What were your most important considerations when choosing the scenario you think is best for the community as a whole? (please select up to three options)

- ☐ The expected impact on the customer type most similar to me
- ☐ Keeping bills predictable
- ☐ The "exceptions" where a variable charge would be unfair due to estimation
- ☐ Ability to influence the total amount I pay in my bill
- ☐ Impacts on low-income or fixed-income households (e.g. those who receive some form of government support such as the age pension or disability pension)
- ☐ Impacts on larger households
- ☐ Providing the right incentive for water usage
- ☐ Bills that are simple and/or easy to understand
- ☐ Overall fairness
- ☐ Other (please specify)

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This is page 6 of 6

If you have anything else you would like to add about the tariff structure for water and wastewater, please use the space below.

Finally, are you willing to take part in a focus group that will further investigate these issues?

- ◯ Yes (please fill in the details below)
- ◯ No (please click 'Save and Finish' to submit your survey)

Contact name:

Contact details (phone number and/or email address):

Hunter Water is collecting your personal information to conduct a survey in regard to community preferences for price structures. Your input will inform our pricing proposal to IPART. Your information will be collected by Insync, our third-party provider in order to contact you if you would like to participate in a focus group. Your information will be held securely and disposed of after the focus groups have been developed. Providing your information is optional however if you do not provide it, you will not be eligible to participate in the focus groups.

Thank you for participating in this survey. Your answers preclude you from continuing through the survey, however, we very much value your time today and encourage you to take part in future, more relevant surveys.

To stay up to date and register to get involved in upcoming engagement activities, click here.

◄ Save and Go Back | Save and Finish ►

Thank you for your participation.

Your answers have been submitted to Insync.

Appendix B: Focus group agenda

Appendix B: Focus group agenda

Time	Agenda item
0:00 (5-min)	Welcome and Acknowledgement of Country
0:05 (5-min)	Session purpose
0:10 (10-min)	Context presentation / setting the scene
0:20 (25-min)	Activity #1: Community Values
0:45 (25-min)	Activity #2: Total bill variability
0:70 (20-min)	Activity #3: Discussion of public aversion to P0 approach
0:90 (25-min)	Activity #4: Making the wastewater treatment charge variable
1:15 (5-min)	Wrap up and thanks
1:20	Close

Appendix C: Community Compass

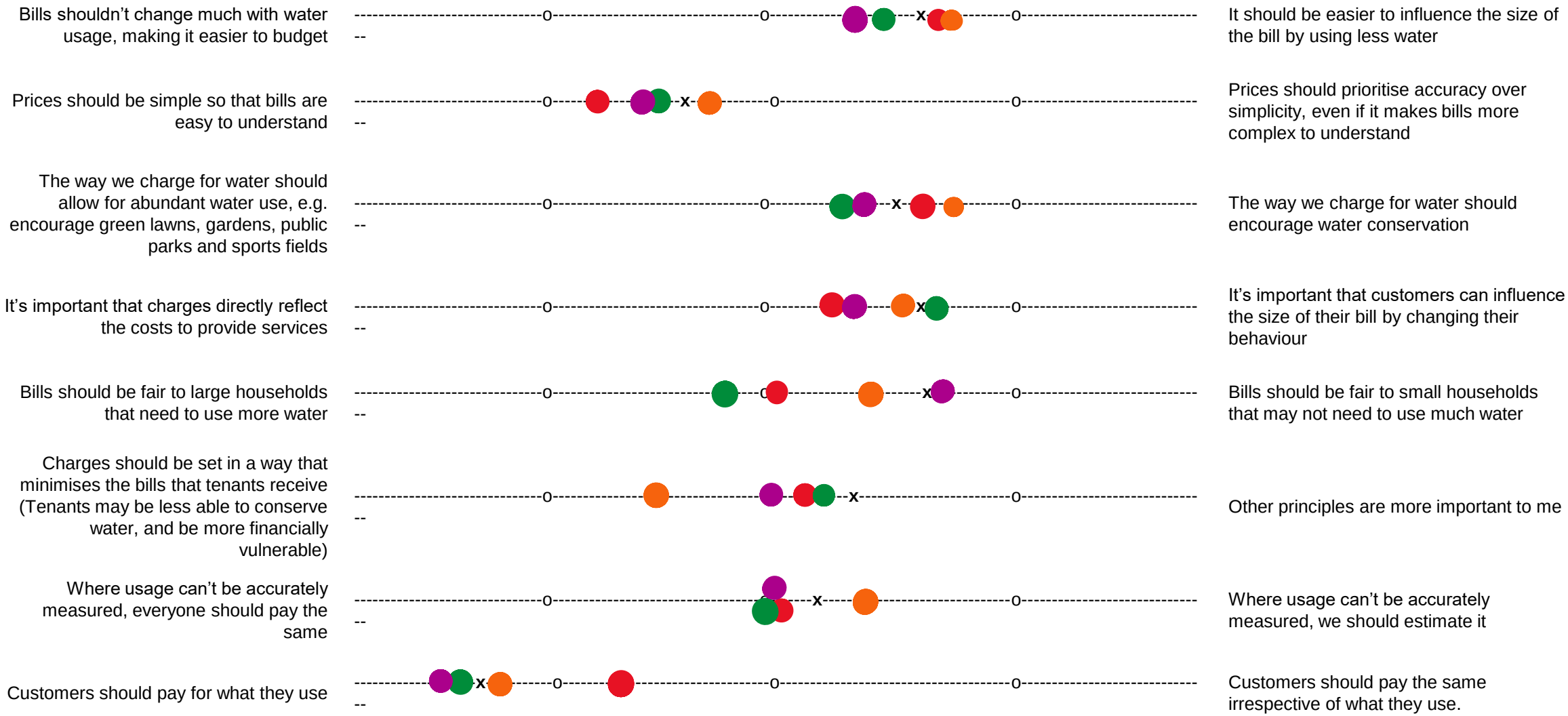
Community Compass: Hunter Water Tariff design focus groups

The responses shown come from surveys across the Lower Hunter in April and May 2024. Though the survey is closed, you can view it at https://secure.insyncsurveys.com.au/surveys/HunterWaterTariffStructures2024/?page=print

Activity #1: What are your views?

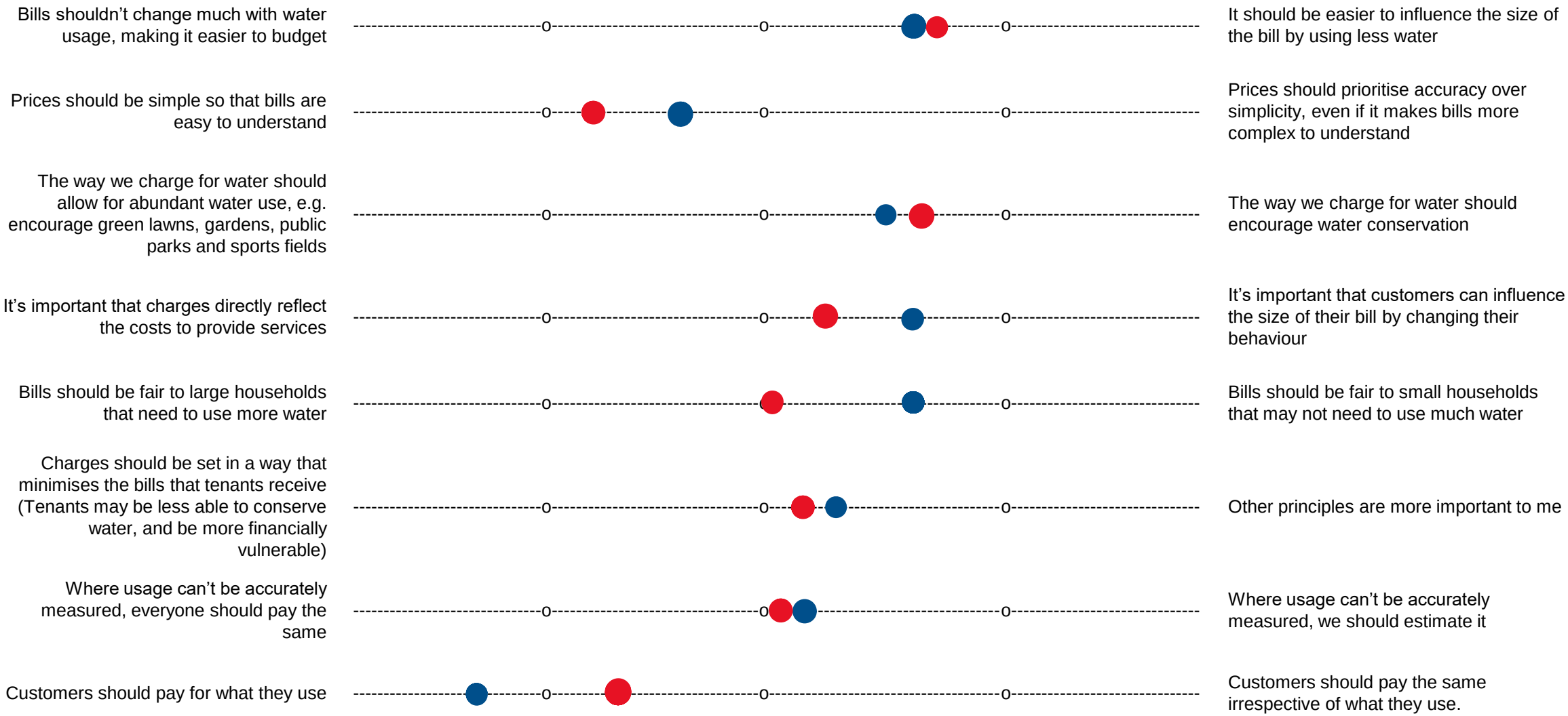
Bills shouldn't change much with water usage, making it easier to budget	o o o	It should be easier to influence the size of the bill by using less water
Prices should be simple so that bills are easy to understand	o o o	Prices should prioritise accuracy over simplicity, even if it makes bills more complex to understand
The way we charge for water should allow for abundant water use, e.g. encourage green lawns, gardens, public parks and sports fields	o o o	The way we charge for water should encourage water conservation
It's important that charges directly reflect the costs to provide services	o o o	It's important that customers can influence the size of their bill by changing their behaviour
Bills should be fair to large households that need to use more water	o o o	Bills should be fair to small households that may not need to use much water
Charges should be set in a way that minimises the bills that tenants receive (Tenants may be less able to conserve water, and be more financially vulnerable)	o o o	Other principles are more important to me
Where usage can't be accurately measured, everyone should pay the same	o o o	Where usage can't be accurately measured, we should estimate it
Customers should pay for what they use	o o o	Customers should pay the same irrespective of what they use.

Activity #1 How do your views compare to those of various groups, and to the average of people in the Lower Hunter?



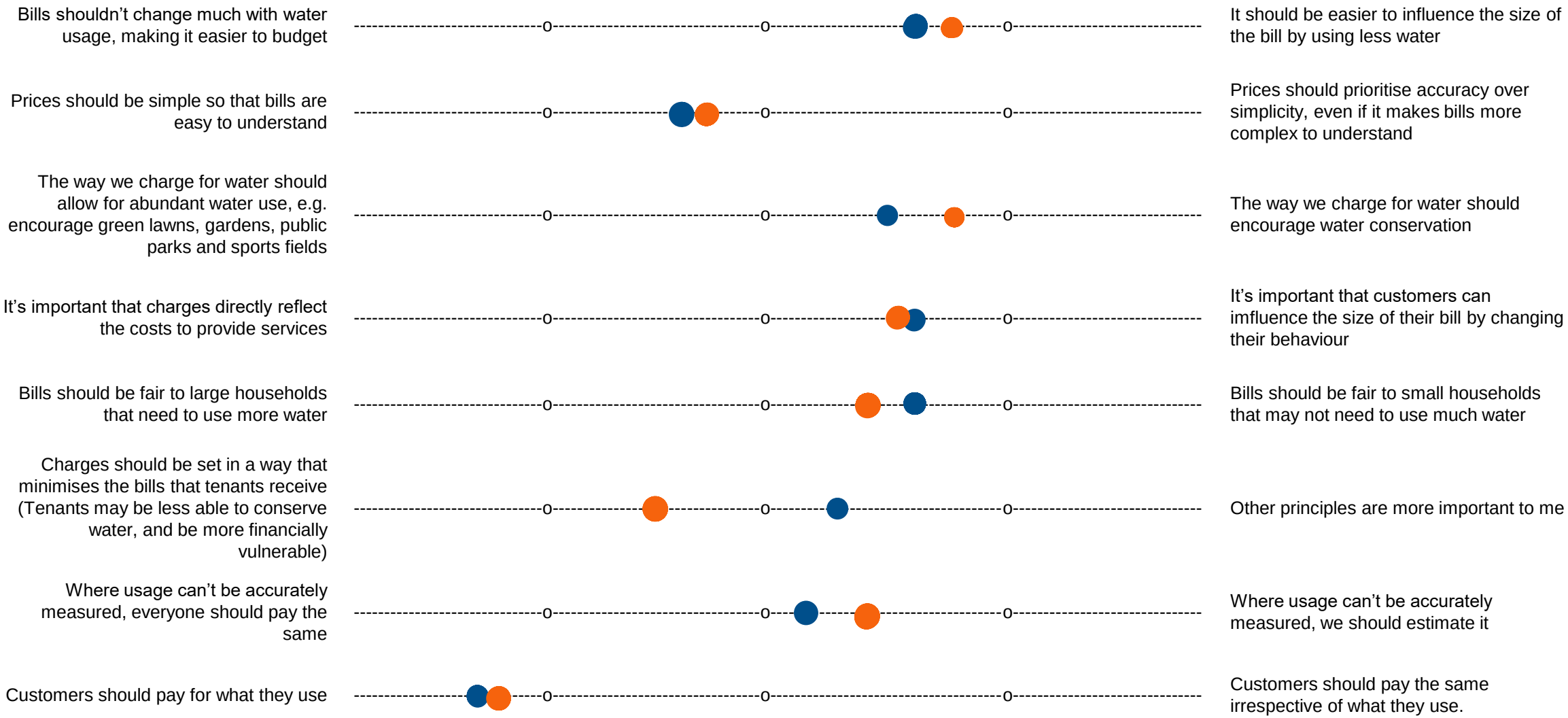
X = Overall n=771. Red = First Nations n=26. Orange = renters aged <40 n=36. Green = large households n=51. Purple = financially vulnerable n=171

Activity #1 How do your views compare to those of other First Nations people, and to the average of people in the Lower Hunter?



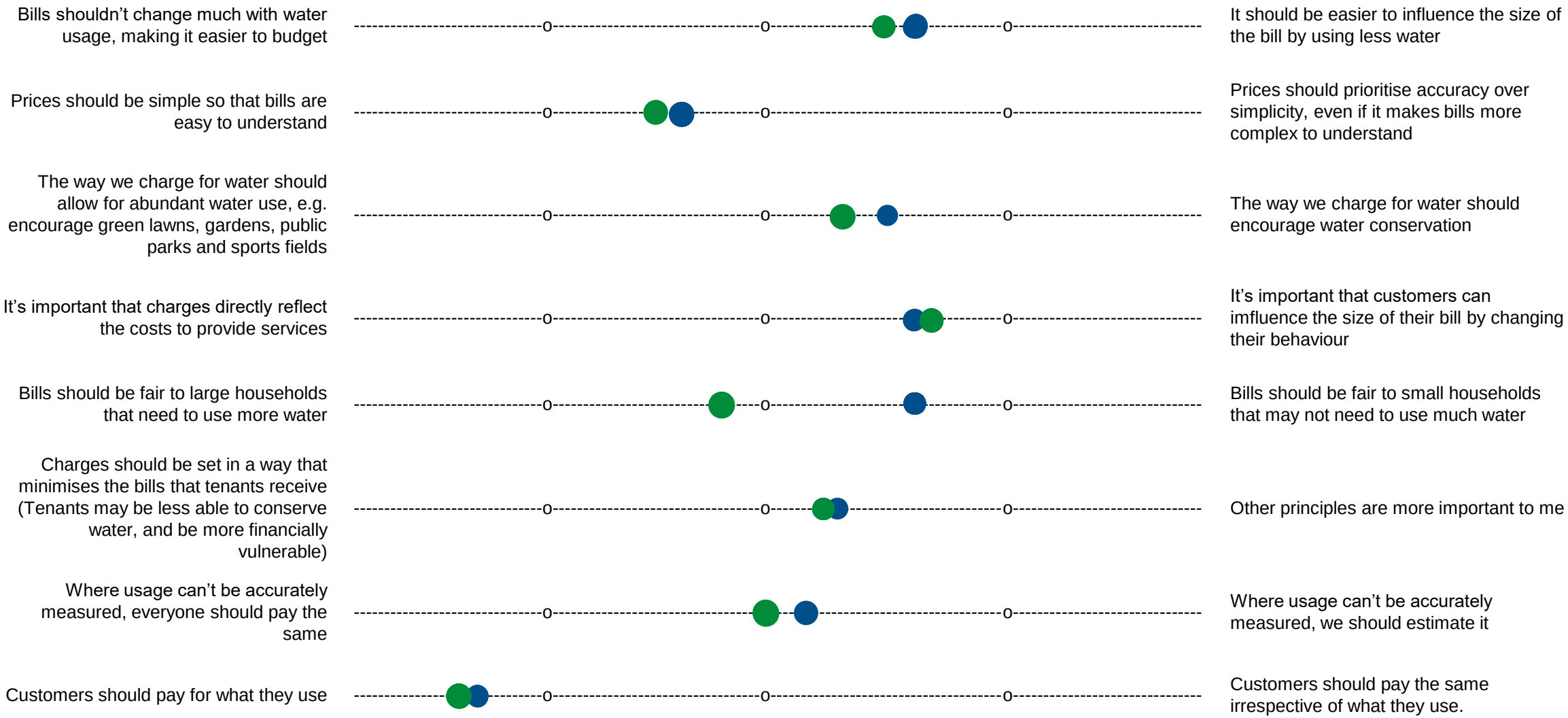
Blue = Overall n=771. Red = First Nations respondents n=26.

Activity #1 How do your views compare to those of renters aged under 40, and to the average of people in the Lower Hunter?



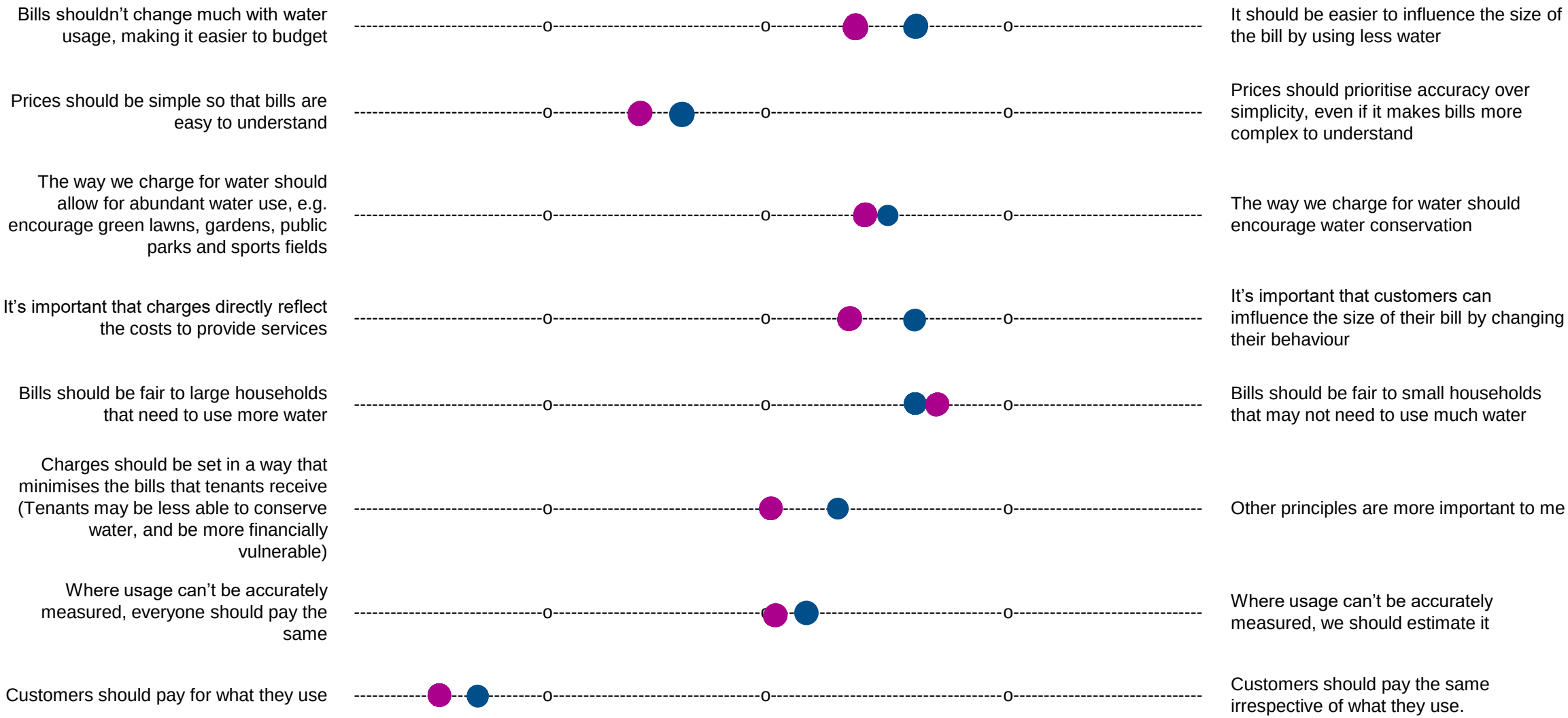
Blue = Overall n=771. Orange = renters aged <40 n=36.

Activity #1 How do your views compare to those of large households (five or more people), and to the average of people in the Lower Hunter?



Blue = Overall n=771. Green = large households n=51.

Activity #1 How do your views compare to those of people who are struggling to make ends meet, and to the average of people in the Lower Hunter?



Blue = Overall n=771. Purple = people who are only just making ends meet, or failing to, n=171

Activity #2: Thoughts on bill variability

Thoughts from people who did the survey:

"I feel the water charges are relatively good. People have to learn/understand how to conserve their own water usage - I think it is up to the individual."

"Believe this is a great incentive to encourage households to save water. There should be greater variability than in the previous scenarios such that there is little to no subsidisation by small water users for larger users."

"User pays will effectively cost families more due to size. Families with children are the ones who usually the ones who are pool owners and older people on pension generally have bigger gardens which require more water, and they will pay more with their fixed low income."

"The most equitable approach is a user pays model. Currently unfair that someone who doesn't use a lot of water almost pays the same as someone who uses a lot. Maybe lower the fixed charge and increase the variable charge? This would screw me over but would be a better approach for the entire community."

"Only to say it is best to look after people who are responsible and make a genuine effort with their use of water where possible."

"Hunter Water users should be encouraged to minimise water usage and influence their costs by having a cost structure that rewards water savers."

"Cost of water is excessive and in the current cost of living is hard to pay them on time."

Thoughts from sophisticated stakeholders:

"The people who will benefit from more variable pricing are those who can change their usage, or already have low usage. While it might seem fair, the losers are large families who tend to have lot of bills already.

Not all high users are wealthy. People with disabilities who need to do a lot of washing are an example of high users without a big ability to pay more, or to change their usage. On the other hand, the people who you might think will pay more, such as those with high incomes and large gardens, can spend their way out of higher bills by installing water tanks. Renters can't do that, or people without a lot of money." – ***Stuart Wilson, Water Services Association of Australia.***

"In thinking about how much impact more flexible bills might have, a good example is a New Year's Resolution. You make a promise to go to the gym every day and mean it at the time, but three weeks later you're paying for the gym and maybe only going once a week and not really changing your behaviour. Try to be honest about whether adding complexity will really motivate you to change your behaviours anymore." – ***Douglas McCloskey, PIAC.***

"So, yes, more variable prices create a reason to save water, but they hurt some very needy people. It will hurt large users who aren't rich, as opposed to those who waste water." – ***Stuart Wilson, Water Services Association of Australia.***

"We all want to use and conserve water well, but you should think about how much price really matters to each decision you make when using water and how much change you could really make?" – ***Douglas McCloskey, PIAC.***

Activity #4: Wastewater – thoughts from sophisticated stakeholders

When considering making wastewater bills more variable, think about how flexible your own usage really is. It can take quite a big change in usage to make a difference to bills and we often overestimate just how much water we can save.

We all want to do the right thing and tend to think we don't waste water, but often assume others in the community do....but if everybody is saying that, then nobody is actually 'wasting water'. This is important in shaping our expectations for how much difference can be made in saving water and saving with more flexible bills. In thinking about what's best, try not to focus on the circumstances and behaviour of others in the community, but think honestly about your own.

Douglas McCloskey, PIAC

Ask yourself the following questions:

What would a variable wastewater charge mean to my bill (would it go up or down)? Do I have any ability to influence the wastewater charge by changing my incoming water usage?

Under the proposed model, if you want to reduce your wastewater charge you would need to reduce your incoming water usage. Do you have rainwater tanks? Do you have them connected to your indoor plumbing? Do you have an insulated swimming pool cover? Can you easily fix leaky taps and toilets? These are the questions every customer would need to consider.

To measure wastewater charges accurately, you would require outgoing meters on every property. This isn't possible, so instead we have a proxy measure that may advantage some and may disadvantage others. Do you think this is reasonable or fair?

Brad Webb

Variable wastewater treatment charging was once widespread in Victoria but most of the corporations there have now moved away from it.

Making wastewater treatment a variable charge based on a guess of how much wastewater they create will lead to a more complicated bill. Many people will be confused.

Should people with large gardens have a lower discharge factor? What about people with a swimming pool? They use a lot of water but don't create a lot of wastewater - it is unfair to them.

I agree with the regulator in NSW that the water price should be based on how much it costs to provide the water rather than some kind of dreamed up level of how customers want their bills to fluctuate. A wastewater treatment charge would be complicated, unfair and there would be too many exceptions to make it bearable and defendable.

Stuart Wilson, WSAA

These sophisticated stakeholders don't work for Hunter Water. PIAC is the Public Interest Advocacy Centre is an independent, non-profit organisation that works to change laws, policies and practices that cause injustice and inequality. WSAA is the Water Services Association of Australia, the peak body for the urban water industry. It promotes debate, influences policy, improves industry performance and fosters collaboration. Brad Webb has held numerous roles aimed at increasing social justice, from Committee for the Hunter to NSW Council of Social Service to Castle Personnel, which provides employment and NDIS support services to people who live with a disability.

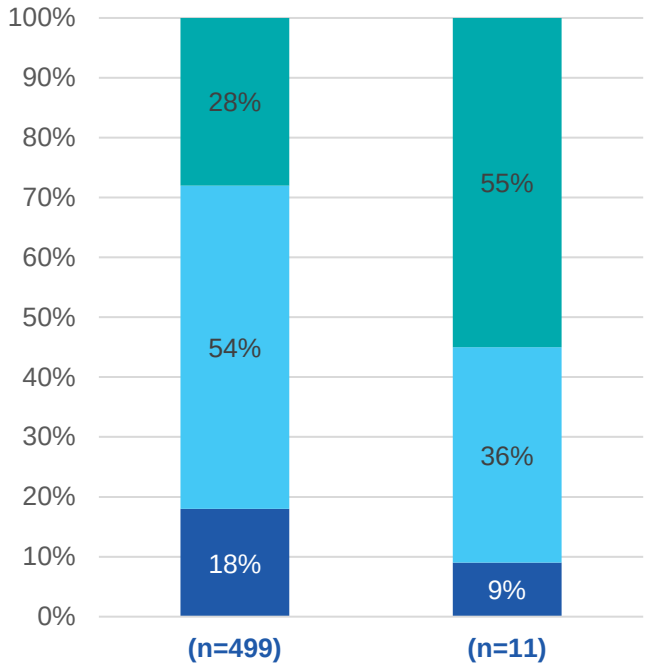
Activity #4 – A variable wastewater treatment charge is fairer on average, but not in some cases

If your water usage changed then your wastewater treatment charge would also change. This makes sense in most scenarios, but not for example if:

- a household filled up a swimming pool. Their water usage would go up and so would the wastewater treatment charge, even though they weren't putting more water into the sewer.
- rainwater tanks are connected to the bathroom and/or laundry. In this case, water usage from Hunter Water is lower, and so is the wastewater treatment charge even if the amount of sewage leaving the property is the same as a house without a rainwater tank.
- a new garden was planted and watered from town/mains water. In this case the water usage would go up, and so would the wastewater treatment charge, even though no extra water was being put into the wastewater system.
- If the property is a flat or unit without a garden. In these properties, it is likely that nearly all of the water that enters the property also exits via the sewerage system, but the calculation would mean they were only charged for 75% of the water leaving the property.

What do First Nations customers think about variable wastewater treatment charging?

Which of the following scenarios is best for the community as a whole?

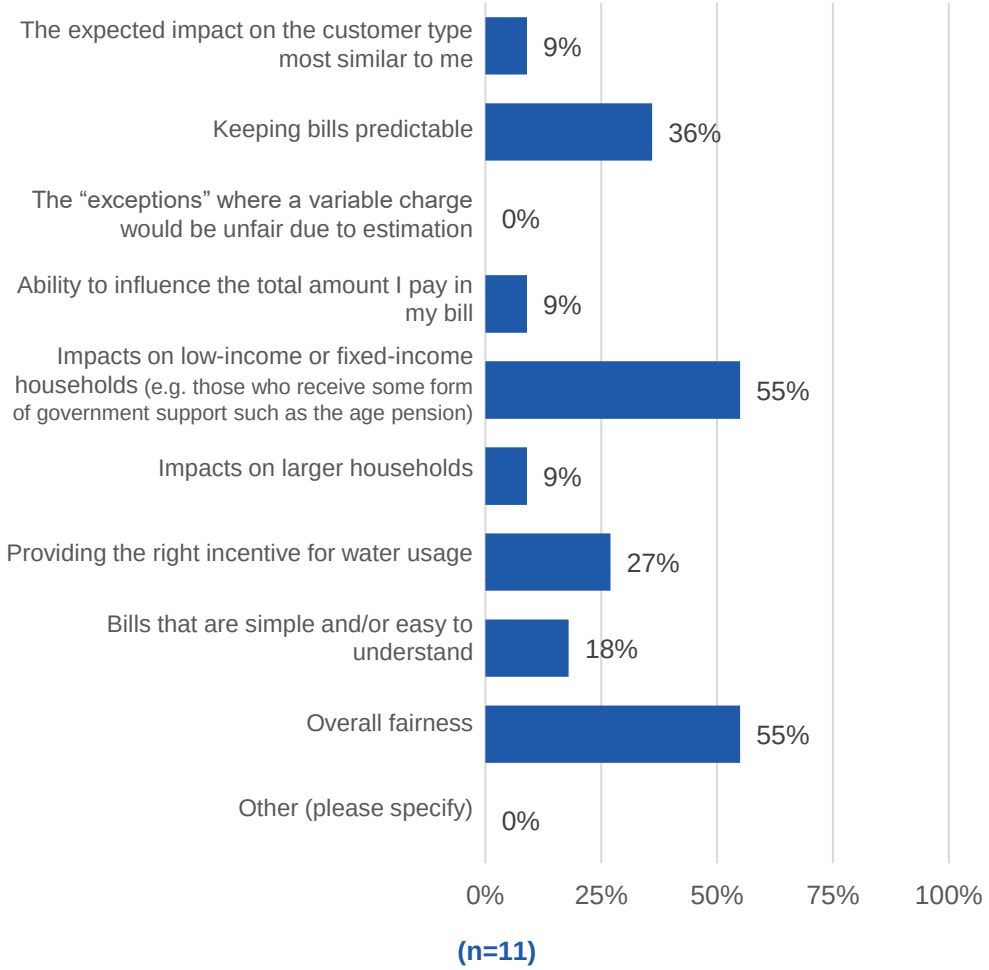


The wastewater treatment charge is fixed and is the same for all households

The wastewater treatment charge is variable and is based on an assumed volume of wastewater discharge to sewer that varies for each household based on a fixed proportion (e.g. 75%) of their metered water usage

I don't have a firm preference

What were your most important considerations when choosing the scenario you think is best for the community as a whole?



(n=11)

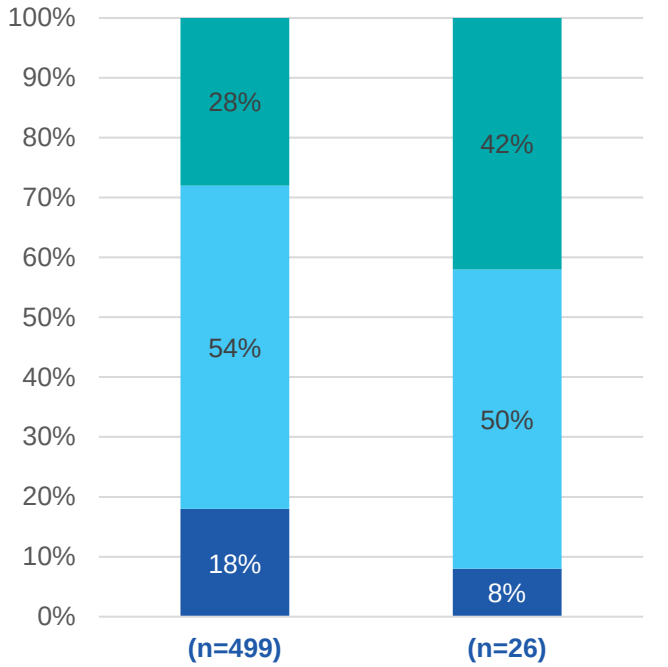
"Hunter Water users should be encouraged to minimise water usage and influence their costs by having a cost structure that rewards water savers."

"It is clear that varying water/sewerage usage does not have a significant impact on billing; however, the costs of providing water are primarily fixed costs largely independent of the amount of water used. Infrastructure and maintenance are largely fixed and, therefore, dependent on the size and distribution of the network. How far a user is from services and the concentration of users in an area is a strong determinant of cost. Rural and remote customers cost more and should pay more. Users in large developments, such as high and medium-density residences, should be charged less."

Please note that there were three questions that tested whether a person had understood the basic facts of the option on wastewater pricing. Only the views of respondents who got those questions correct have been used here.

What do renters under 40 think about variable wastewater treatment charging?

Which of the following scenarios is best for the community as a whole?

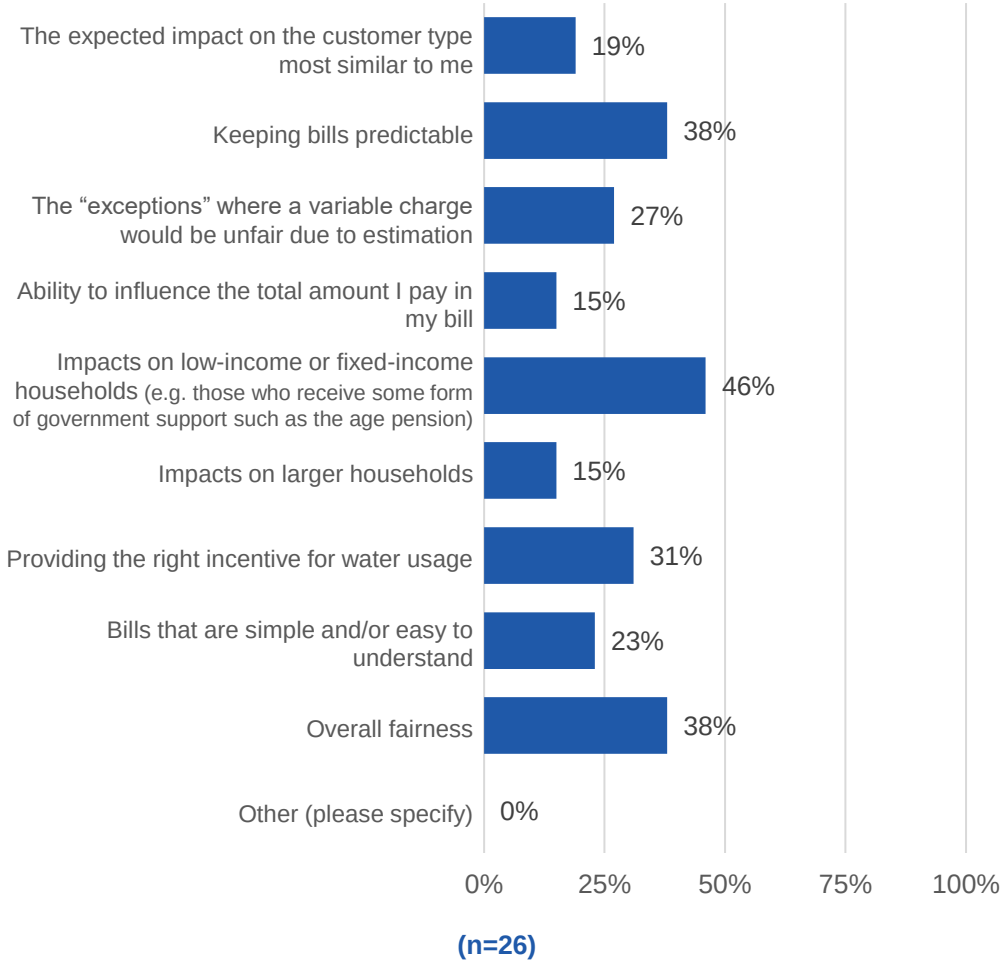


The wastewater treatment charge is fixed and is the same for all households

The wastewater treatment charge is variable and is based on an assumed volume of wastewater discharge to sewer that varies for each household based on a fixed proportion (e.g. 75%) of their metered water usage

I don't have a firm preference

What were your most important considerations when choosing the scenario you think is best for the community as a whole?



(n=26)

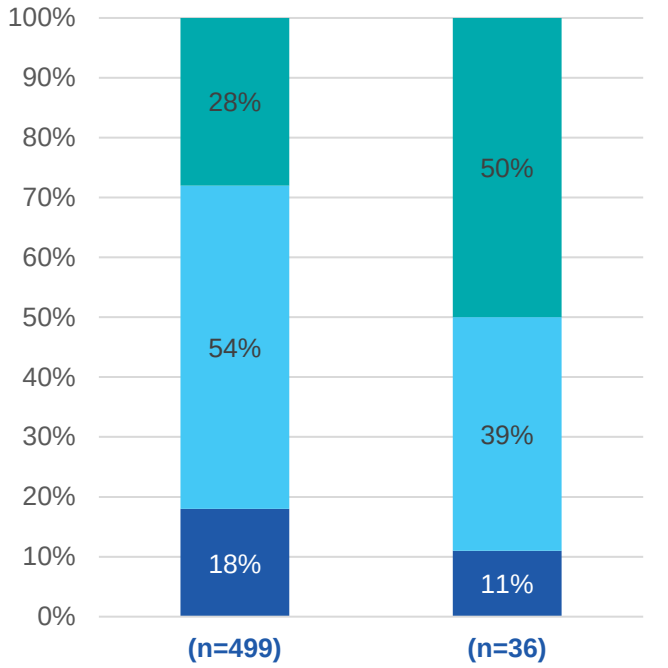
"Although it does not affect me, it is unfair to use that approximation. If you do, there needs to be an incentive (e.g. subsidy from the government, so no one spends more but others pay less)."

"I think the fact that Hunter Water cannot calculate the amount of wastewater each household produces means it is probably easier and fairer to have a set rate for all households."

Please note that there were three questions that tested whether a person had understood the basic facts of the option on wastewater pricing. Only the views of respondents who got those questions correct have been used here.

What do people from households with more than four people think about variable wastewater treatment charging?

Which of the following scenarios is best for the community as a whole?

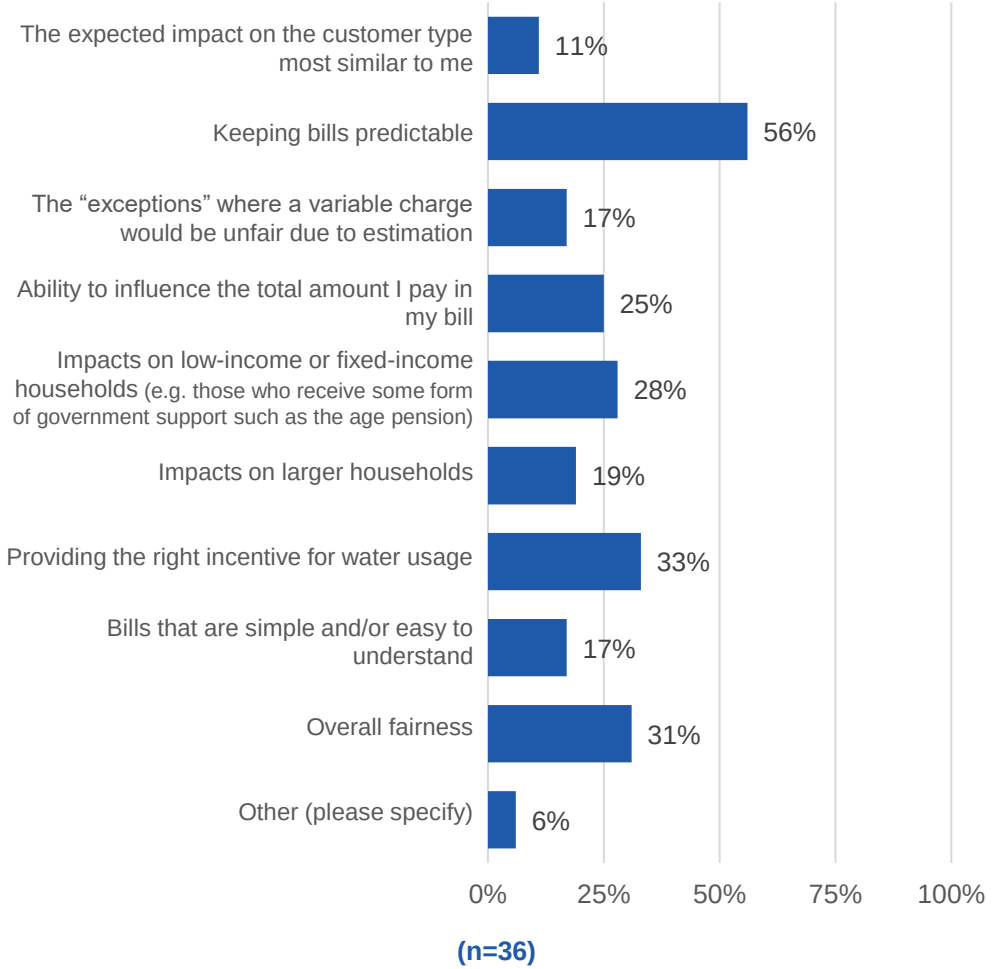


The wastewater treatment charge is fixed and is the same for all households

The wastewater treatment charge is variable and is based on an assumed volume of wastewater discharge to sewer that varies for each household based on a fixed proportion (e.g. 75%) of their metered water usage

I don't have a firm preference

What were your most important considerations when choosing the scenario you think is best for the community as a whole?



(n=36)

"To have another bill come through with the unknown of what the charge will be, could be enough to push some families over the edge. How do you even begin to budget for this? So, you are punished for having guests over, yet they reap the benefit when their bills are lower. Does not seem like a fair way to calculate."

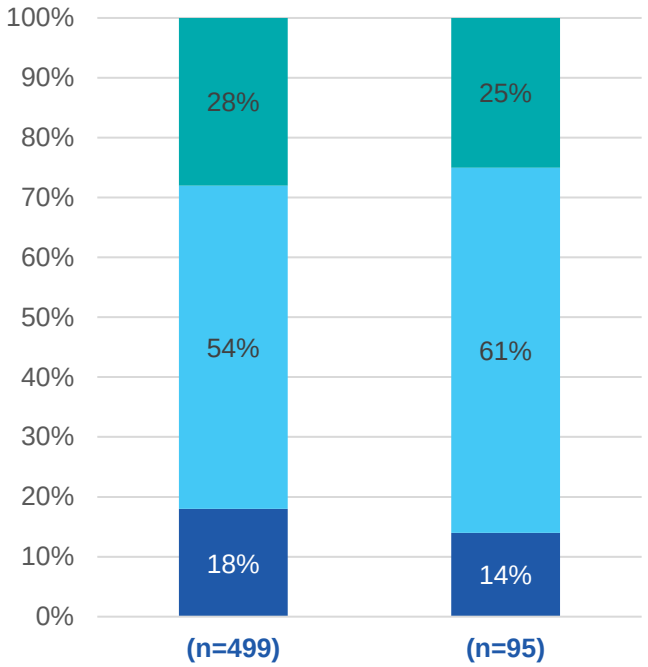
"I am concerned for customers, such as myself, who divert 80% of their laundry wastewater to gardens. There is no encouragement to expand on this practice (for example, diverting bathroom wastewater)."

"There should be an incentive for people to use water more sparingly."

Please note that there were three questions that tested whether a person had understood the basic facts of the option on wastewater pricing. Only the views of respondents who got those questions correct have been used here.

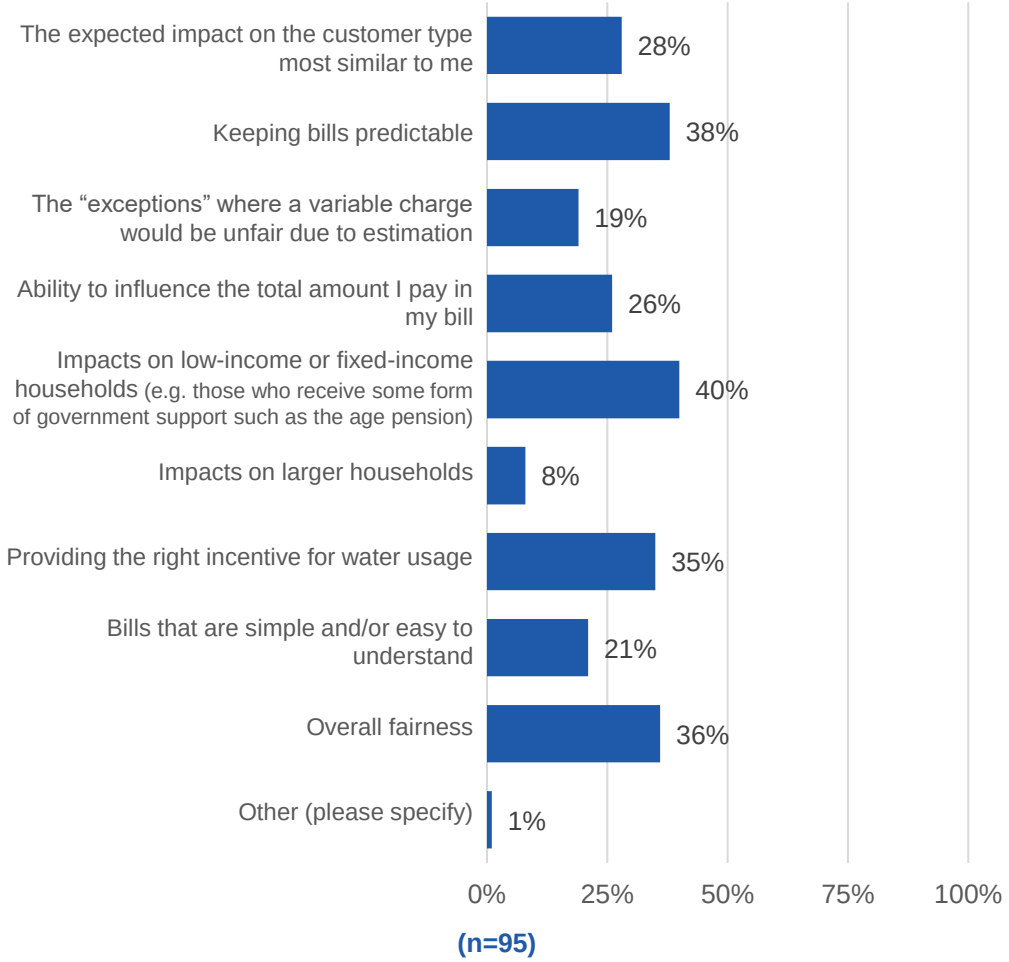
What do people under financial strain think about variable wastewater treatment charging?

Which of the following scenarios is best for the community as a whole?



- The wastewater treatment charge is fixed and is the same for all households
- The wastewater treatment charge is variable and is based on an assumed volume of wastewater discharge to sewer that varies for each household based on a fixed proportion (e.g. 75%) of their metered water usage
- I don't have a firm preference

What were your most important considerations when choosing the scenario you think is best for the community as a whole?



"These are interesting questions, and with the inability to have flow or volume meters on discharge, there is no real fair method for all; however, having some sort of incentive to reduce the water used with a charge calculated on the water used seems a benefit."

"Wastewater should be a fixed charge based on resident type. Not the amount of water being used."

"I feel a scaled wastewater charge is fairer, given all factors. If a young family lives in a newer house, they are most likely to use tank water for their garden watering, etc. Therefore, if they do have a pool, outdoor spa or waterslide, their top-up cost would likely be offset by what they save with greywater usage."

Please note that there were three questions that tested whether a person had understood the basic facts of the option on wastewater pricing. Only the views of respondents who got those questions correct have been used here.

Appendix D: Focus group slides (residential customers)

HUNTER WATER PRICE STRUCTURES FOCUS GROUP

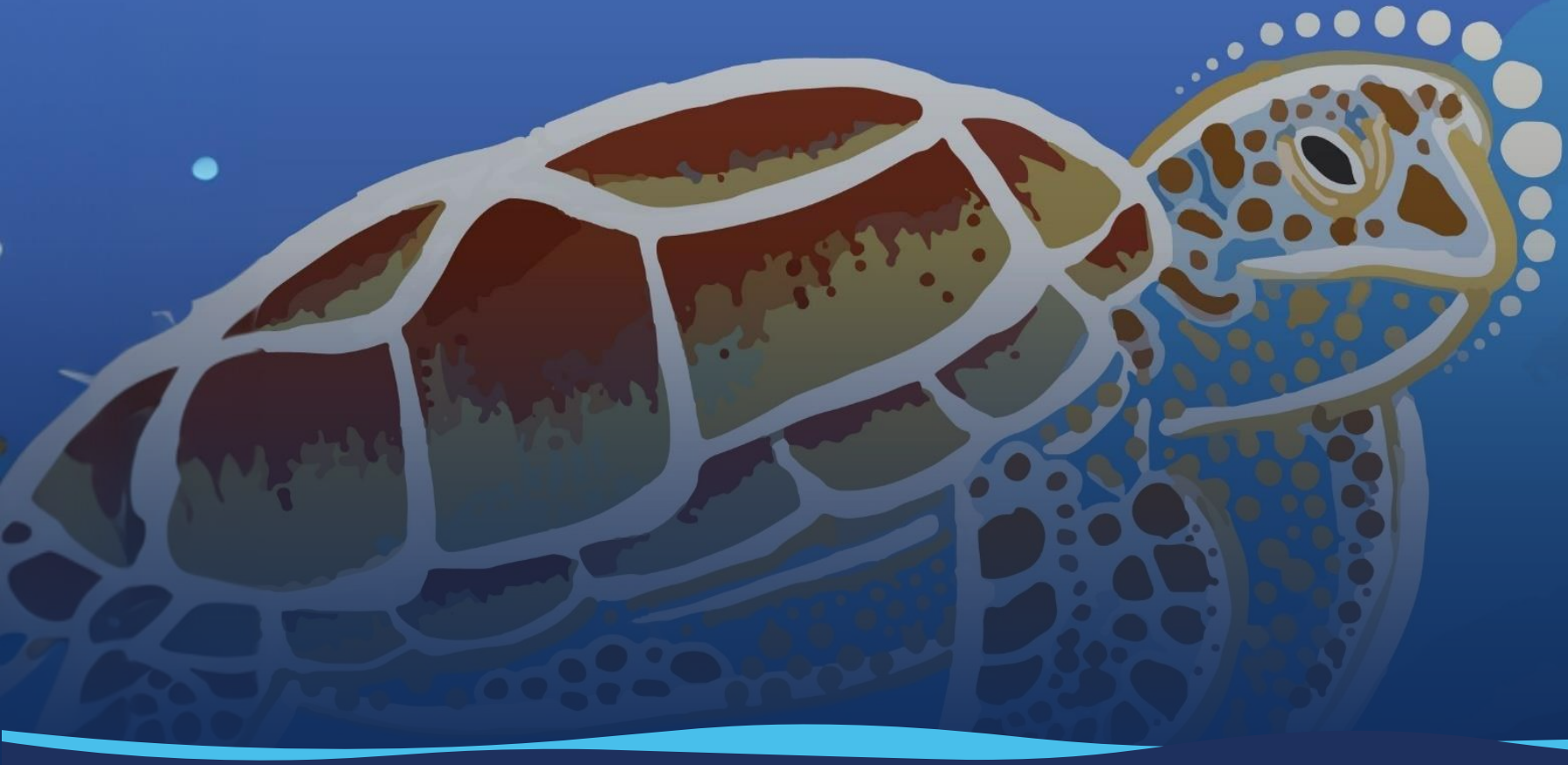
Facilitated by Insync

MAY 2024

ACKNOWLEDGEMENT OF COUNTRY

Hunter Water acknowledges the Traditional Countries of the Awabakal, Darkinjung, Geawegal, Wonnarua and Worimi peoples and the Countries on which we operate and beyond where our water flows.

We recognise and respect the cultural heritage, beliefs and continuing connection to the lands and waters of our Traditional Custodians and pay respect to their Elders past, present and emerging.



Artwork by Tyson Jolly

TODAY'S PURPOSE

WHO IS HUNTER WATER?

Introduction from Darren Cleary, Managing Director

Our service area and traditional boundaries

UNDERSTANDING PRICES FOR HOUSEHOLDS

- The prices that we charge only cover our costs and are approved by a regulator (IPART).
- We bill households every four (4) months. That is, households receive three (3) bills per year.
- Most of our customers receive water services and wastewater services, so today we will focus on prices for those.
  - Around one third (1/3 or 30%) also receive some stormwater services from us (and some from their local council)
  - Around two thirds only receive stormwater services from their local council
- There are some regulatory ‘rules of the game’ that mean there are some things about prices than we can’t change.

Water prices

Fixed charges

Variable charges

Wastewater (sewerage) prices

Fixed charges

Variable charges

None

Water and wastewater bills

Fixed charges

Variable charges

Not to scale. Illustrative only.

UNDERSTANDING HOUSEHOLD PRICES AND BILLS

Customers' bills 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.

	Pensioner household	Small household	Typical household	Large household
Water use (litres per day)	274	301	496	795
What proportion of the year's WATER bill is the customer able to influence?	91%	92%	95%	97%
What proportion of the year's WASTEWATER bill is the customer able to influence?	0%	0%	0%	0%
What proportion of the year's WATER AND WASTEWATER bill is the customer able to influence?	40%	30%	39%	51%

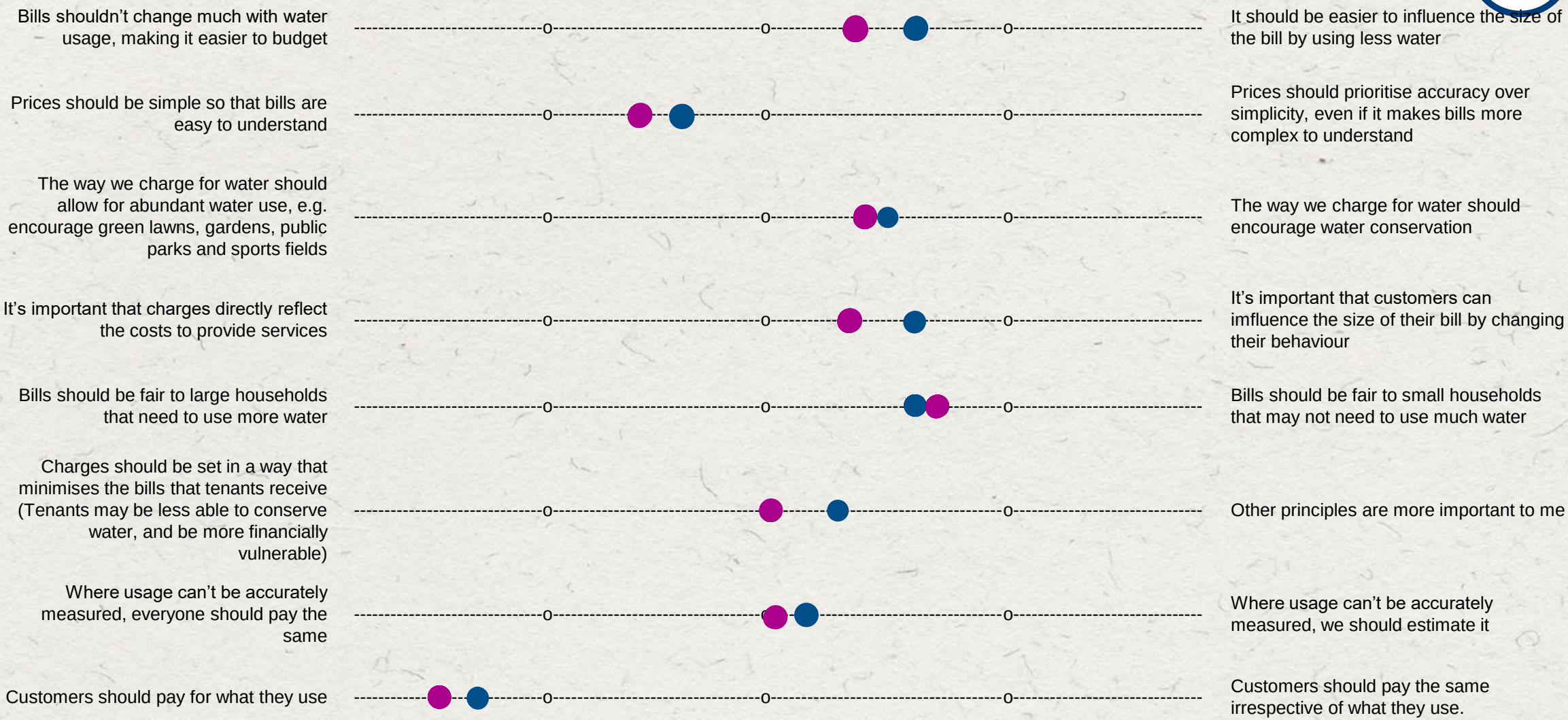
Next year (2024-25)

Activity 1 – Community Values

Activity #1: What are your views?

Bills shouldn't change much with water usage, making it easier to budget	o o o	It should be easier to influence the size of the bill by using less water
Prices should be simple so that bills are easy to understand	o o o	Prices should prioritise accuracy over simplicity, even if it makes bills more complex to understand
The way we charge for water should allow for abundant water use, e.g. encourage green lawns, gardens, public parks and sports fields	o o o	The way we charge for water should encourage water conservation
It's important that charges directly reflect the costs to provide services	o o o	It's important that customers can influence the size of their bill by changing their behaviour
Bills should be fair to large households that need to use more water	o o o	Bills should be fair to small households that may not need to use much water
Charges should be set in a way that minimises the bills that tenants receive (Tenants may be less able to conserve water, and be more financially vulnerable)	o o o	Other principles are more important to me
Where usage can't be accurately measured, everyone should pay the same	o o o	Where usage can't be accurately measured, we should estimate it
Customers should pay for what they use	o o o	Customers should pay the same irrespective of what they use.

Activity #1 How do your views compare to those of people who are struggling to make ends meet, and to the average of people in the Lower Hunter?



Blue = Overall n=771. Purple = people who are only just making ends meet, or failing to, n=171

Activity 2 – Water price increases

THE PURPOSE OF THIS ACTIVITY

Continuing to provide the same level of service is becoming more costly, therefore customer prices will need to increase.

Let's talk about water prices

Prices need to rise. We are going to present three (3) options for how we do this.

The options have different impacts on different types of customers.

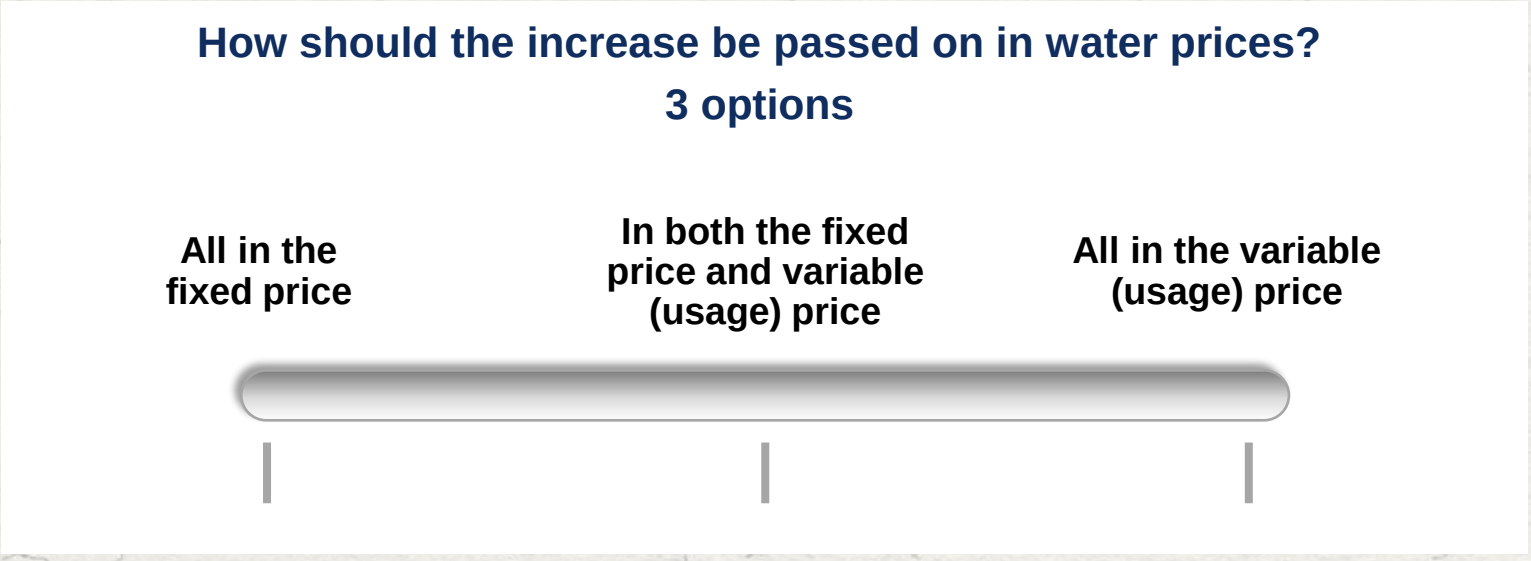
We want to hear your feedback:

Which of the three (3) options for water prices is in the best interests of customers and the community in our region?

Note: We'll talk about wastewater prices later in the session

PRICES NEED TO INCREASE

Continuing to provide the same level of service is becoming more costly, therefore customer prices will need to increase.

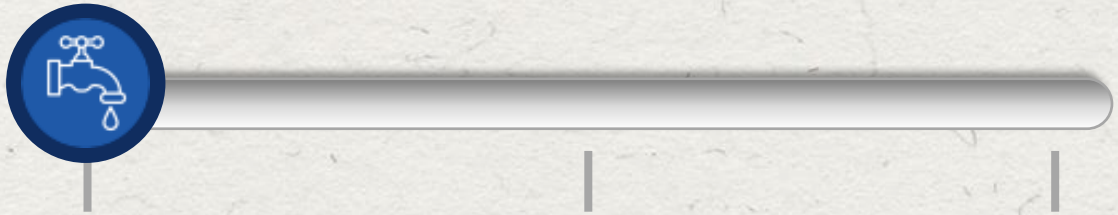


- In all options Hunter Water receives the same amount of revenue
- In each of the three options, prices can increase slowly or quickly. We will come back to this question later. For now, let's just assume the increase happens slowly.
- Prices and bills are shown in today's dollars (before inflation). Prices will also increase by inflation each year.
- Any changes above inflation still need to be reviewed and approved by IPART.

PRICE INCREASE OPTION 1

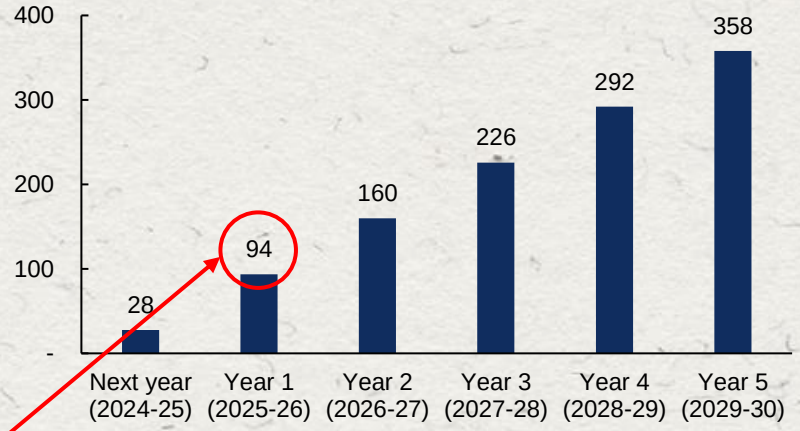
All in the fixed price

All in the variable (usage) price

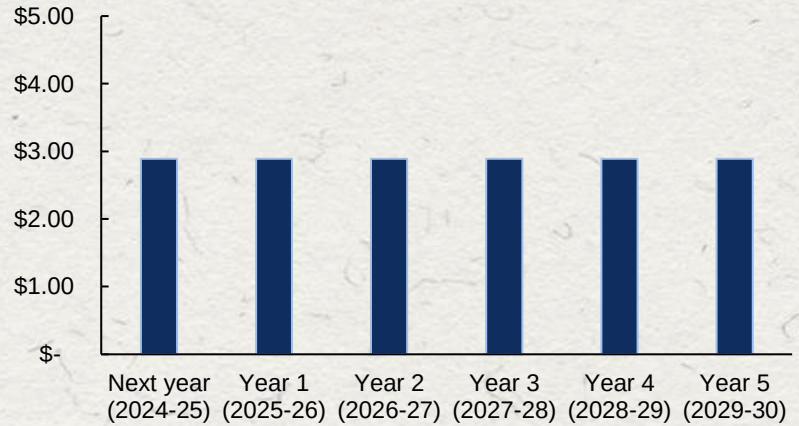


2025 prices		2026 prices
Fixed charge $28	Goes up by $66 every year →	**Fixed charge $94**
Variable $2.89 per kL	→ Stays the same	Variable $2.89 per kL

Fixed charge for each household over 5 years



Variable charge for each household over 5 years

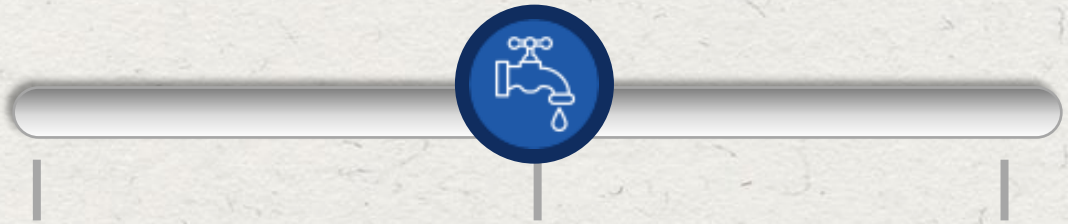


These amounts are *before* inflation is added. Numbers are illustrative only.

PRICE INCREASE OPTION 2

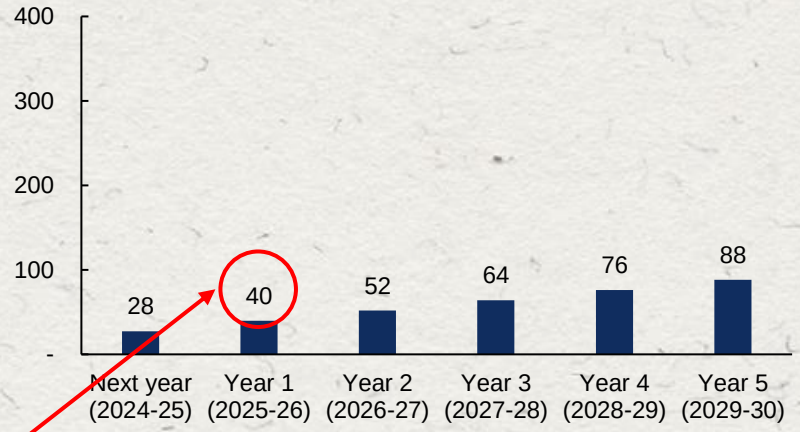
All in the fixed price

All in the variable (usage) price

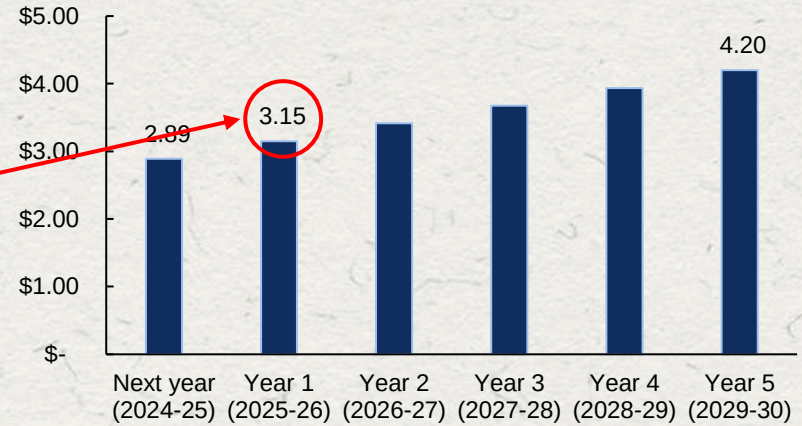


2025 prices		2026 prices
Fixed charge $28	Goes up by $12 every year →	**Fixed charge $40**
Variable $2.89 per kL	→ Goes up by $0.26 per kL	**Variable $3.15 per kL**

Fixed charge for each household over 5 years



Variable charge for each household over 5 years



These amounts are *before* inflation is added. Numbers are illustrative only.

HOW MUCH DO HOUSEHOLDS PAY FOR WATER OVER THE 5 YEARS?

What does option 2 do the 'water' part of household bills?
What are the differences between option 1 and option 2?

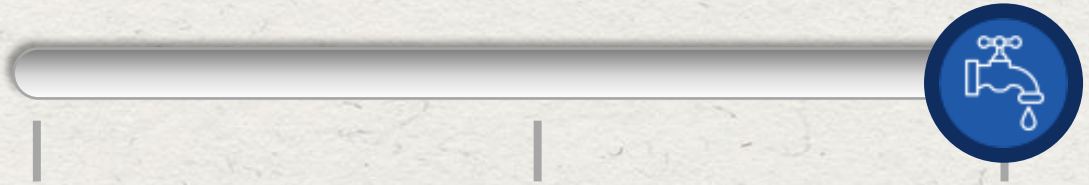
	Pensioner household	Small household	Typical household	Large household
Water use (per year)	100 kL	110 kL	181 kL	290 kL
Option 1: All in fixed charge	$1,290	$2,390	$3,300	$4,700
Option 2: In both the fixed and usage charge	$930	$2,070	$3,220	$4,990

These amounts are *before* inflation is added. Numbers are illustrative only.
The five year amount is in present value terms. We've made this adjustment so you don't have to think about timing.

PRICE INCREASE OPTION 3

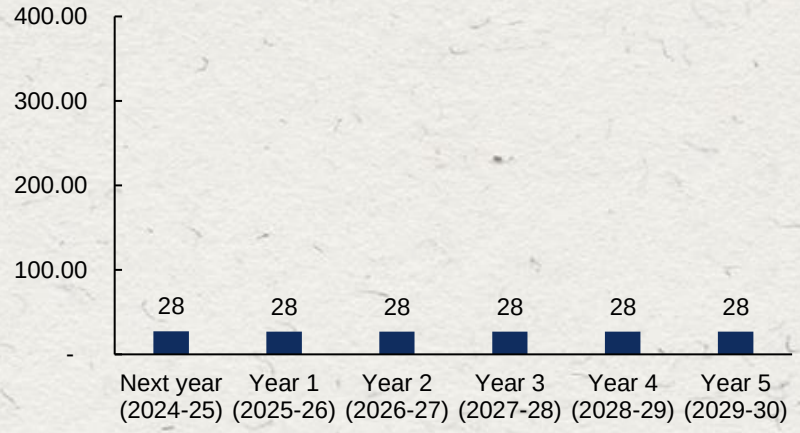
All in the fixed price

All in the variable (usage) price

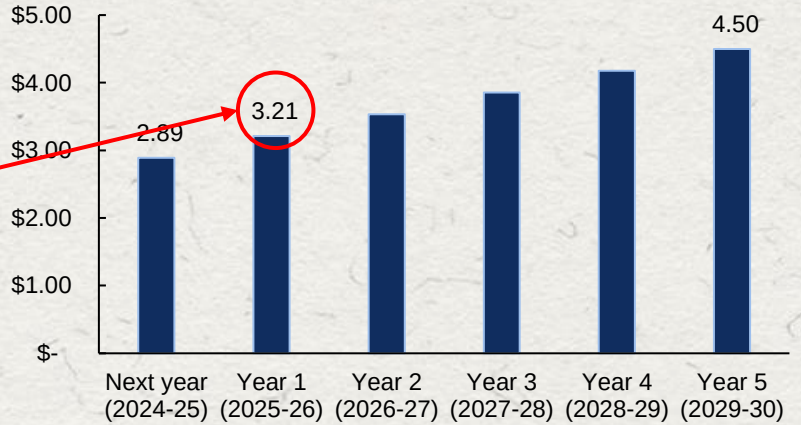


2025 prices		2026 prices
Fixed charge $28	Stays the same →	Fixed charge $28
Variable $2.89 per kL	Goes up by $0.32 per kL →	**Variable $3.21 per kL**

Fixed charge for each household over 5 years



Variable charge for each household over 5 years



These amounts are *before* inflation is added. Number are an indication only, based on modelling.

HOW MUCH DO HOUSEHOLDS PAY FOR WATER OVER THE 5 YEARS?

What does option 3 do the ‘water’ part of household bills?
What are the differences between options 1, 2 and 3?

	Pensioner household	Small household	Typical household	Large household
Water use (per year)	100 kL	110 kL	181 kL	290 kL
Option 1: All in fixed charge	$1,290	$2,390	$3,300	$4,700
Option 2: In both the fixed and usage charge	$930	$2,070	$3,220	$4,990
Option 3: All in usage charge	$850	$1,990	$3,200	$5,050

These amounts are *before* inflation is added. Numbers are illustrative only.
The five year amount is in present value terms. We’ve made this adjustment so you don’t have to think about timing.

Activity #2: Thoughts on bill variability

Thoughts from people who did the survey:

"I feel the water charges are relatively good. People have to learn/understand how to conserve their own water usage - I think it is up to the individual."

"Believe this is a great incentive to encourage households to save water. There should be greater variability than in the previous scenarios such that there is little to no subsidisation by small water users for larger users."

"User pays will effectively cost families more due to size. Families with children are the ones who usually the ones who are pool owners and older people on pension generally have bigger gardens which require more water, and they will pay more with their fixed low income."

"The most equitable approach is a user pays model. Currently unfair that someone who doesn't use a lot of water almost pays the same as someone who uses a lot. Maybe lower the fixed charge and increase the variable charge? This would screw me over but would be a better approach for the entire community."

"Only to say it is best to look after people who are responsible and make a genuine effort with their use of water where possible."

"Hunter Water users should be encouraged to minimise water usage and influence their costs by having a cost structure that rewards water savers."

"Cost of water is excessive and in the current cost of living is hard to pay them on time."

Thoughts from sophisticated stakeholders:

"The people who will benefit from more variable pricing are those who can change their usage, or already have low usage. While it might seem fair, the losers are large families who tend to have lot of bills already.

Not all high users are wealthy. People with disabilities who need to do a lot of washing are an example of high users without a big ability to pay more, or to change their usage. On the other hand, the people who you might think will pay more, such as those with high incomes and large gardens, can spend their way out of higher bills by installing water tanks. Renters can't do that, or people without a lot of money." – ***Stuart Wilson, Water Services Association of Australia.***

"In thinking about how much impact more flexible bills might have, a good example is a New Year's Resolution. You make a promise to go to the gym every day and mean it at the time, but three weeks later you're paying for the gym and maybe only going once a week and not really changing your behaviour. Try to be honest about whether adding complexity will really motivate you to change your behaviours anymore." – ***Douglas McCloskey, PIAC.***

"So, yes, more variable prices create a reason to save water, but they hurt some very needy people. It will hurt large users who aren't rich, as opposed to those who waste water." – ***Stuart Wilson, Water Services Association of Australia.***

"We all want to use and conserve water well, but you should think about how much price really matters to each decision you make when using water and how much change you could really make?" – ***Douglas McCloskey, PIAC.***

These sophisticated stakeholders don't work for Hunter Water. PIAC is the Public Interest Advocacy Centre is an independent, non-profit organisation that works to change laws, policies and practices that cause injustice and inequality. WSAA is the Water Services Association of Australia, the peak body for the urban water industry. It promotes debate, influences policy, improves industry performance and fosters collaboration. Brad Webb has held numerous roles aimed at increasing social justice, from Committee for the Hunter to NSW Council of Social Service to Castle Personnel, which provides employment and NDIS support services to people who live with a disability.

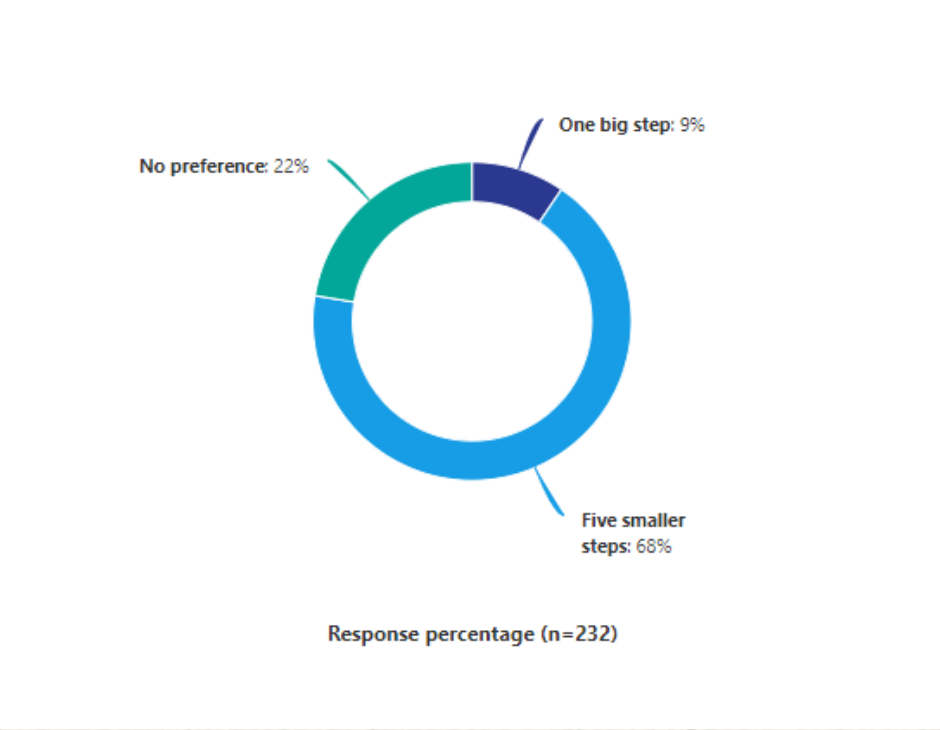
Activity 3 – Pace of water price changes

SHOULD PRICES INCREASE SLOWLY OR QUICKLY?

In each of the three options, prices can increase slowly or quickly. Here are the results of community survey on this issue.

The cost of essential services is rising. As a result, customer bills will also need to rise during the period 2025 to 2030.

In introducing higher prices, how gradual should the change be, noting that the total of bills over the five year period is approximately the same?



Which approach do you think is best for the Lower Hunter and why?

In both scenarios Hunter Water receives the same amount of revenue.

Activity 4 – Making wastewater charges variable

POLL

Which of the following scenarios is best for the community as a whole?

THE PURPOSE OF THIS ACTIVITY

Let’s talk about wastewater (sewerage) prices

Wastewater prices are currently all fixed. That is, households cannot influence the amount they pay for wastewater services in way they can for water services.

We could continue setting wastewater prices this way. Alternatively, we could estimate the amount of wastewater discharged and make part of the wastewater bill a variable charge.

This would have different impacts on different types of customers.

We want to hear your feedback:

Which of the two (2) options for wastewater prices is in the best interests of customers and the community in our region?

COULD WE INTRODUCE A VARIABLE COMPONENT TO HOUSEHOLD WASTEWATER BILLS?

Yes, but we would need to estimate the amount of wastewater each customer discharges.

There are also some ‘rules of the game’ that limit how much of a household bill we could make variable.

- It’s not possible to put a wastewater meter on the wastewater pipes leaving every residential property.
- It’s not possible to calculate every property’s wastewater discharge separately.
- We could estimate that a property’s wastewater discharge is, say, 75% of their metered water use.
- For rental properties, landlords would continue to pay the entire wastewater charge. Over time, this may result in a increase in the amount a tenant pays as rent.

In both scenarios Hunter Water receives the same amount of revenue

Activity #4: Wastewater – thoughts from sophisticated stakeholders

When considering making wastewater bills more variable, think about how flexible your own usage really is. It can take quite a big change in usage to make a difference to bills and we often overestimate just how much water we can save.

We all want to do the right thing and tend to think we don't waste water, but often assume others in the community do....but if everybody is saying that, then nobody is actually 'wasting water'. This is important in shaping our expectations for how much difference can be made in saving water and saving with more flexible bills. In thinking about what's best, try not to focus on the circumstances and behaviour of others in the community, but think honestly about your own.

Douglas McCloskey, PIAC

Ask yourself the following questions:

What would a variable wastewater charge mean to my bill (would it go up or down)? Do I have any ability to influence the wastewater charge by changing my incoming water usage?

Under the proposed model, if you want to reduce your wastewater charge you would need to reduce your incoming water usage. Do you have rainwater tanks? Do you have them connected to your indoor plumbing? Do you have an insulated swimming pool cover? Can you easily fix leaky taps and toilets? These are the questions every customer would need to consider.

To measure wastewater charges accurately, you would require outgoing meters on every property. This isn't possible, so instead we have a proxy measure that may advantage some and may disadvantage others. Do you think this is reasonable or fair?

Brad Webb

Variable wastewater treatment charging was once widespread in Victoria but most of the corporations there have now moved away from it.

Making wastewater treatment a variable charge based on a guess of how much wastewater they create will lead to a more complicated bill. Many people will be confused.

Should people with large gardens have a lower discharge factor? What about people with a swimming pool? They use a lot of water but don't create a lot of wastewater - it is unfair to them.

I agree with the regulator in NSW that the water price should be based on how much it costs to provide the water rather than some kind of dreamed up level of how customers want their bills to fluctuate. A wastewater treatment charge would be complicated, unfair and there would be too many exceptions to make it bearable and defendable.

Stuart Wilson, WSAA

These sophisticated stakeholders don't work for Hunter Water. PIAC is the Public Interest Advocacy Centre is an independent, non-profit organisation that works to change laws, policies and practices that cause injustice and inequality. WSAA is the Water Services Association of Australia, the peak body for the urban water industry. It promotes debate, influences policy, improves industry performance and fosters collaboration. Brad Webb has held numerous roles aimed at increasing social justice, from Committee for the Hunter to NSW Council of Social Service to Castle Personnel, which provides employment and NDIS support services to people who live with a disability.

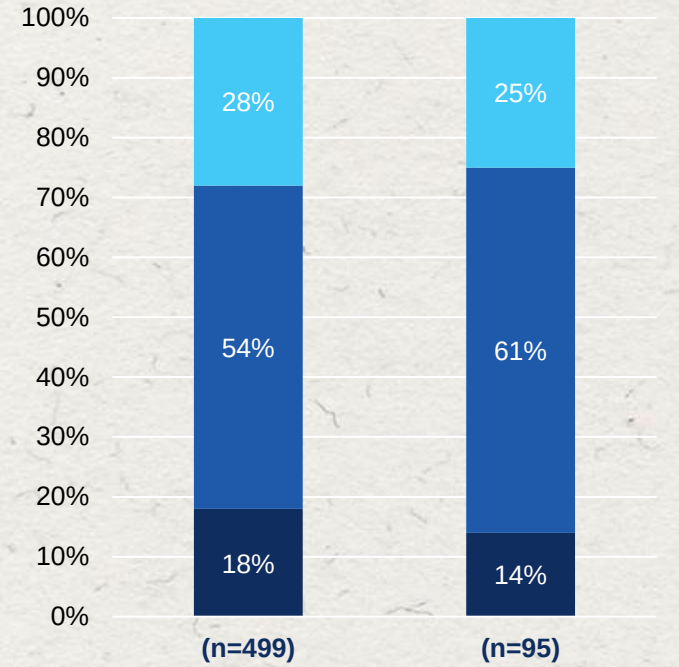
Activity #4 – A variable wastewater treatment charge is fairer on average, but not in some cases

If your water usage changed then your wastewater treatment charge would also change. This makes sense in most scenarios, but not for example if:

- a household filled up a swimming pool. Their water usage would go up and so would the wastewater treatment charge, even though they weren't putting more water into the sewer.
- rainwater tanks are connected to the bathroom and/or laundry. In this case, water usage from Hunter Water is lower, and so is the wastewater treatment charge even if the amount of sewage leaving the property is the same as a house without a rainwater tank.
- a new garden was planted and watered from town/mains water. In this case the water usage would go up, and so would the wastewater treatment charge, even though no extra water was being put into the wastewater system.
- If the property is a flat or unit without a garden. In these properties, it is likely that nearly all of the water that enters the property also exits via the sewerage system, but the calculation would mean they were only charged for 75% of the water leaving the property.

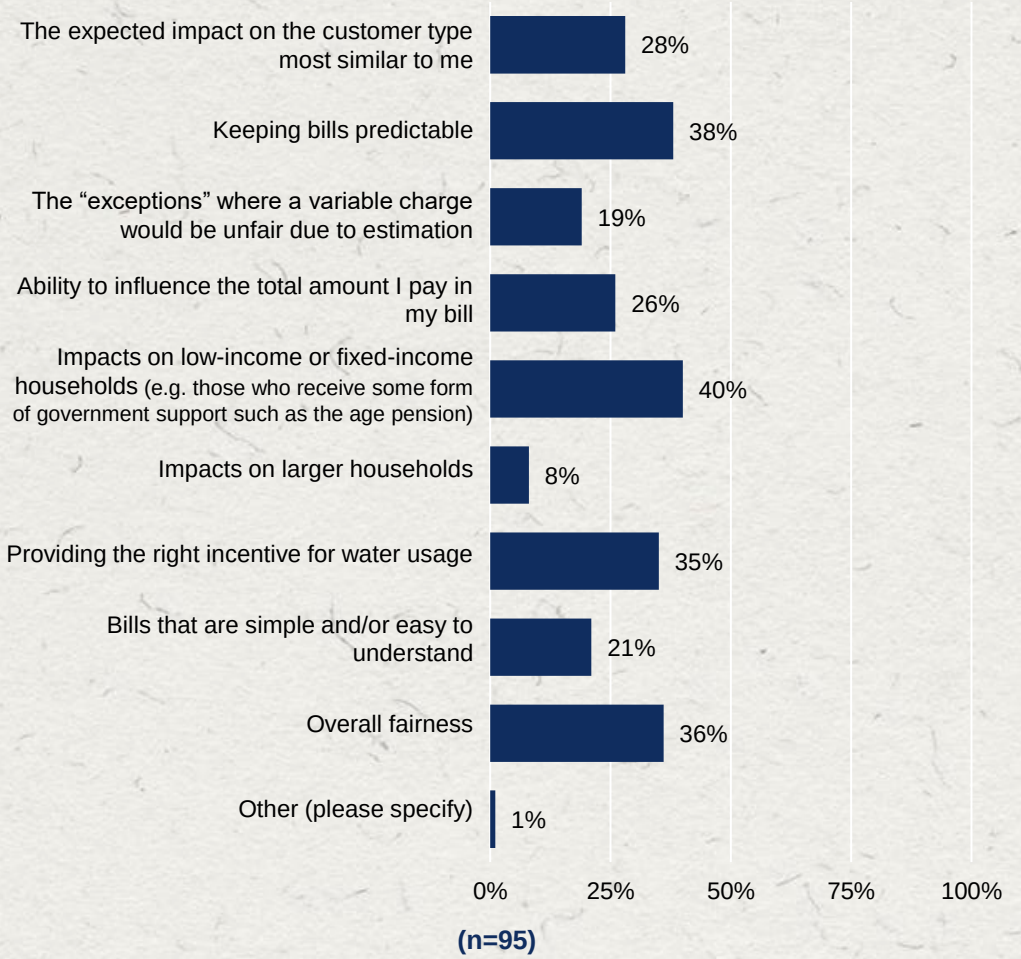
What do people under financial strain think about variable wastewater treatment charging?

Which of the following scenarios is best for the community as a whole?



- The wastewater treatment charge is fixed and is the same for all households
- The wastewater treatment charge is variable and is based on an assumed volume of wastewater discharge to sewer that varies for each household based on a fixed proportion (e.g. 75%) of their metered water usage
- I don't have a firm preference

What were your most important considerations when choosing the scenario you think is best for the community as a whole?



"These are interesting questions, and with the inability to have flow or volume meters on discharge, there is no real fair method for all; however, having some sort of incentive to reduce the water used with a charge calculated on the water used seems a benefit."

"Wastewater should be a fixed charge based on resident type. Not the amount of water being used."

"I feel a scaled wastewater charge is fairer, given all factors. If a young family lives in a newer house, they are most likely to use tank water for their garden watering, etc. Therefore, if they do have a pool, outdoor spa or waterslide, their top-up cost would likely be offset by what they save with greywater usage."

Please note that there were three questions that tested whether a person had understood the basic facts of the option on wastewater pricing. Only the views of respondents who got those questions correct have been used here.

POLL

Which of the following scenarios is best for the community as a whole?

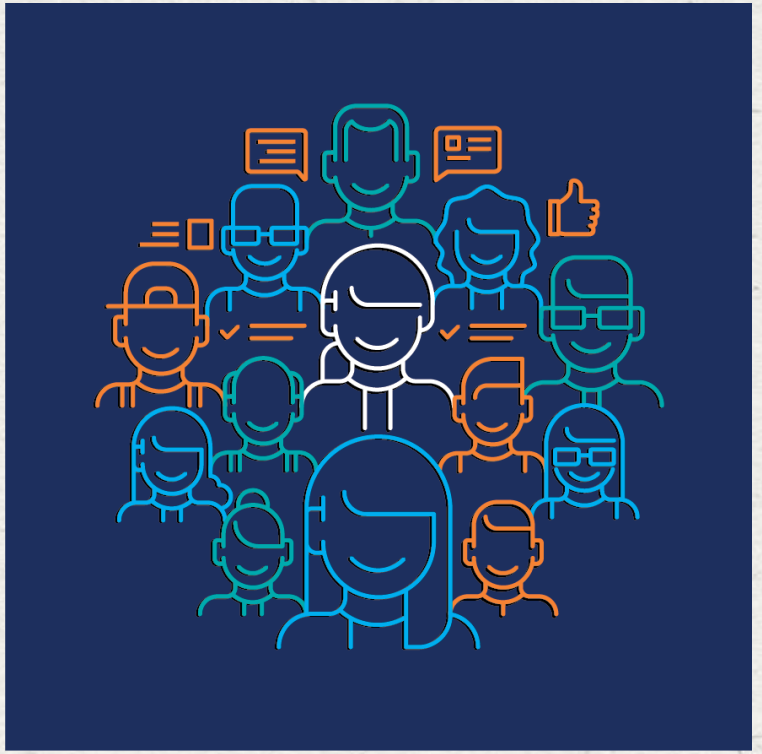
WHERE TO FROM HERE?

Your feedback will help Hunter Water to decide the prices it will include in the Pricing Proposal submitted to the regulator (IPART) in September 2024.

IPART's review will run from October 2024 to June 2025. It will include more opportunities to have your say.

If you have further feedback or questions, please email pricing.engagement@hunterwater.com.au

For updates, please visit: https://www.hunterwater.com.au/haveyoursay



THANK YOU

Any questions?

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1300 657 000, 24 hours, seven days
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Appendix E: Focus group slides (non-residential customers)

HUNTER WATER PRICE STRUCTURES FOCUS GROUP

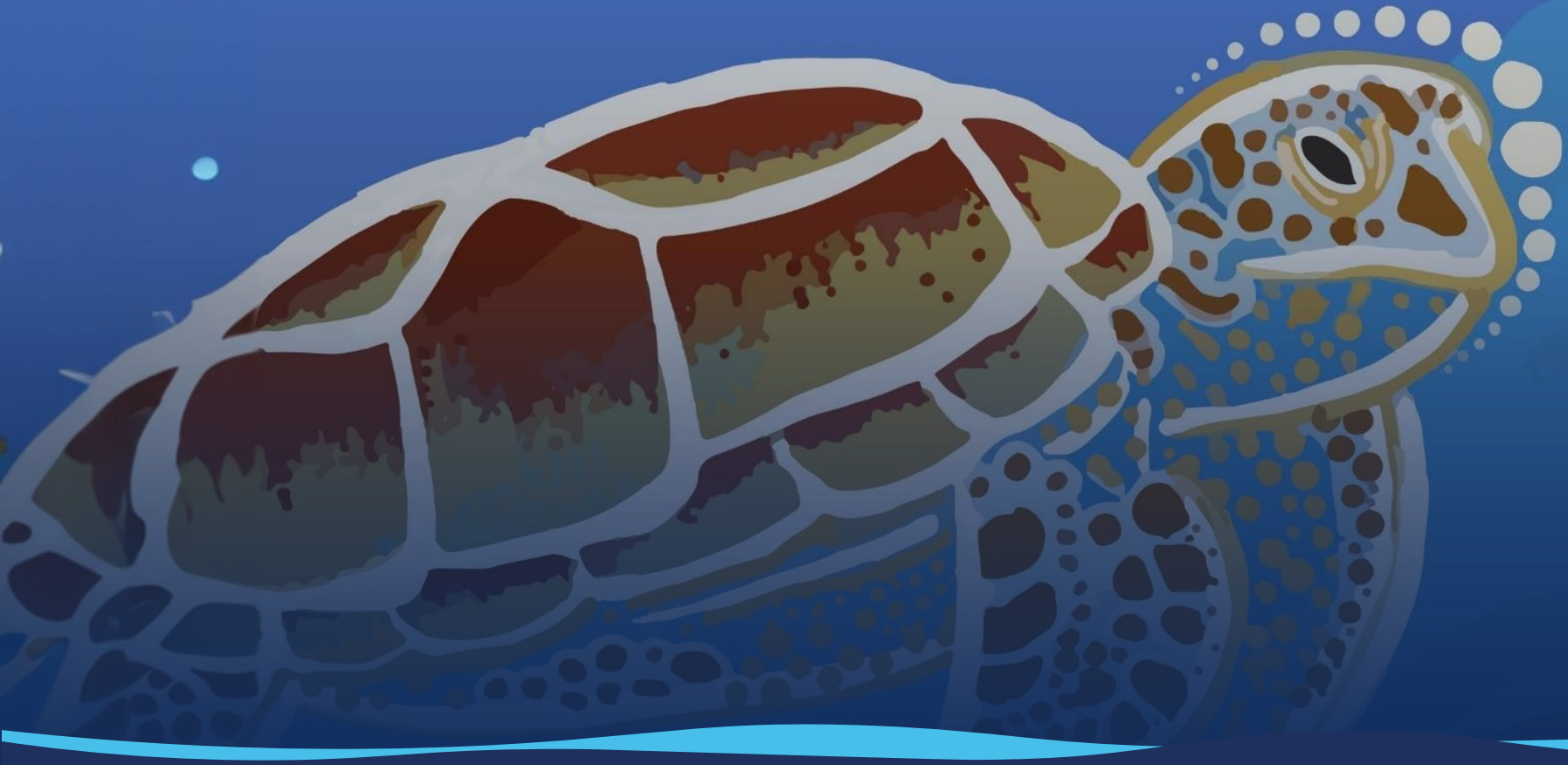
Facilitated by Insync

MAY 2024

ACKNOWLEDGEMENT OF COUNTRY

Hunter Water acknowledges the Traditional Countries of the Awabakal, Darkinjung, Geawegal, Wonnarua and Worimi peoples and the Countries on which we operate and beyond where our water flows.

We recognise and respect the cultural heritage, beliefs and continuing connection to the lands and waters of our Traditional Custodians and pay respect to their Elders past, present and emerging.



Artwork by Tyson Jolly

TODAY’S PURPOSE

WHO IS HUNTER WATER?

Introduction from Darren Cleary, Managing Director

Our service area and traditional boundaries

UNDERSTANDING PRICES FOR BUSINESSES

- The prices that we charge only cover our costs and are approved by a regulator (IPART).
- We bill some business every four months and others every month. That is, businesses receive 3 bills or 12 bills per year.
- Most of our customers receive water services and wastewater services.
  - Around one third (1/3 or 30%) also receive some stormwater services from us (and some from their local council)
  - Around two thirds only receive stormwater services from their local council
  - Some business customers also discharge trade waste. That is, the wastewater is ‘stronger’ than household wastewater. Separate agreements and additional charges apply for trade waste.
- There are some regulatory ‘rules of the game’ that mean there are some things about prices than we can’t change.

Today we’re going to focus on water prices

Not to scale. Illustrative only.

UNDERSTANDING NON-RESIDENTIAL WATER PRICES AND BILLS

Customers' bills depends on factors such as how many water meters they have, the size of those water meters, and also how much water they use.

	 Small industrial business	 Small shop	 Medium licensed hotel or club	 Medium industrial business	 Regional shopping centre
Water use (kilolitres per year)	50	230	496	110,000	102,000
Water meters (how many?)	1	1	1	3	5
Water meters (what size?)	20mm	25mm	32mm	20mm 25mm 100mm	20mm 20mm 20mm 20mm 80mm
What proportion of the year's WATER bill is the customer able to influence?	84%	94%	98%	99.8%	99.8%

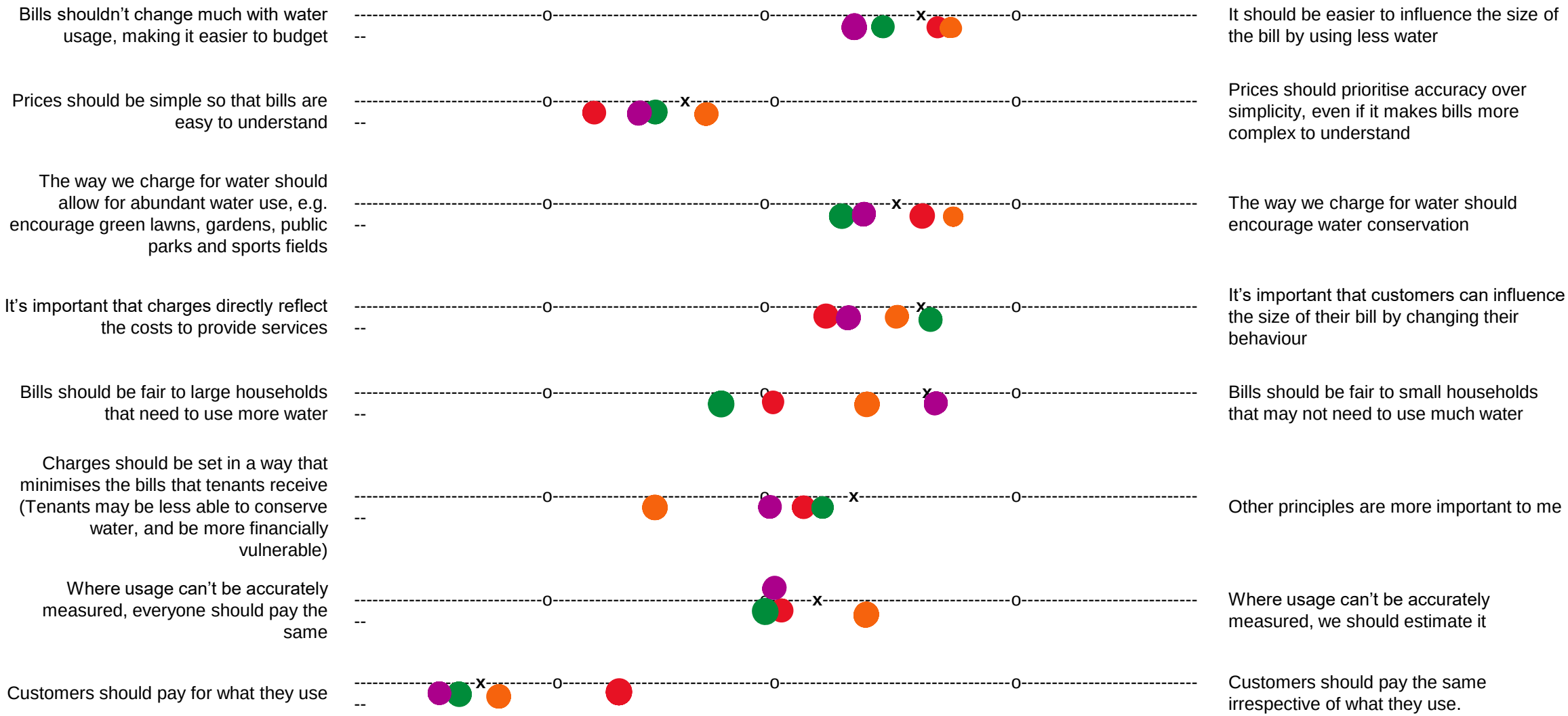
Next year (2024-25)

Activity 1 – Community Values

Activity #1: What are your views?

Bills shouldn't change much with water usage, making it easier to budget	o o o	It should be easier to influence the size of the bill by using less water
Prices should be simple so that bills are easy to understand	o o o	Prices should prioritise accuracy over simplicity, even if it makes bills more complex to understand
The way we charge for water should allow for abundant water use, e.g. encourage green lawns, gardens, public parks and sports fields	o o o	The way we charge for water should encourage water conservation
It's important that charges directly reflect the costs to provide services	o o o	It's important that customers can influence the size of their bill by changing their behaviour
Bills should be fair to large households that need to use more water	o o o	Bills should be fair to small households that may not need to use much water
Charges should be set in a way that minimises the bills that tenants receive (Tenants may be less able to conserve water, and be more financially vulnerable)	o o o	Other principles are more important to me
Where usage can't be accurately measured, everyone should pay the same	o o o	Where usage can't be accurately measured, we should estimate it
Customers should pay for what they use	o o o	Customers should pay the same irrespective of what they use.

Activity #1 How do your views compare to those of various groups, and to the average of people in the Lower Hunter?



X = Overall n=771. Red = ATSI n=26. Orange = renters aged <40 n=36. Green = large households n=51. Purple = financially vulnerable n=171

Activity 2 – Water price increases

THE PURPOSE OF THIS ACTIVITY

Continuing to provide the same level of service is becoming more costly, therefore customer prices will need to increase.

Let's talk about water prices

Prices need to rise. We are going to present three (3) options for how we do this.

The options have different impacts on different types of customers.

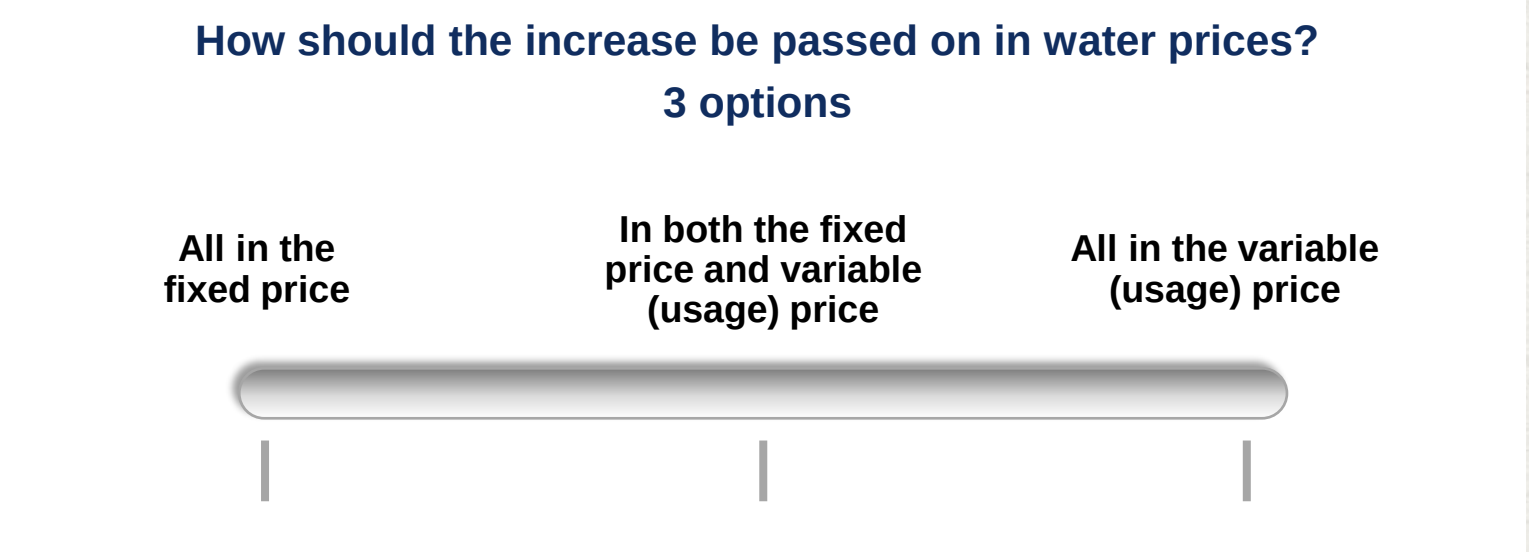
We want to hear your feedback:

Which of the three (3) options for water prices is in the best interests of customers and the community in our region?

Note: We'll talk about wastewater prices later in the session

PRICES NEED TO INCREASE

Continuing to provide the same level of service is becoming more costly, therefore customer prices will need to increase.

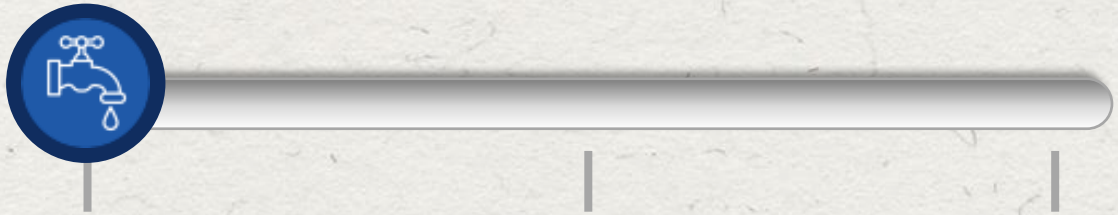


- In all options Hunter Water receives the same amount of revenue
- In each of the three options, prices can increase slowly or quickly. We will come back to this question later. For now, let's just assume the increase happens slowly.
- Prices and bills are shown in today's dollars (before inflation). Prices will also increase by inflation each year.
- Any changes above inflation still need to be reviewed and approved by IPART.

PRICE INCREASE OPTION 1

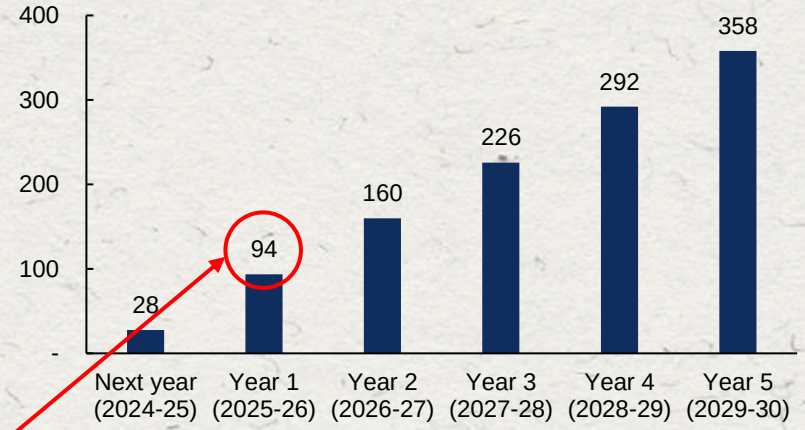
All in the fixed price

All in the variable (usage) price

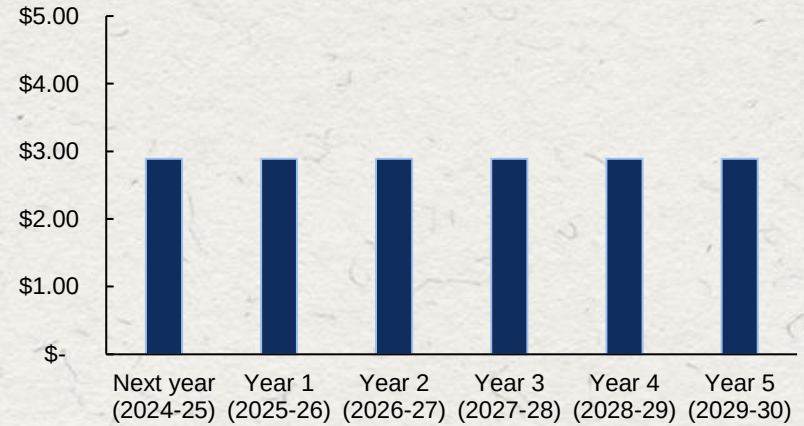


2025 prices		2026 prices
Fixed charge $28	Goes up by $66 every year →	**Fixed charge $94**
Variable $2.89 per kL	→ Stays the same	Variable $2.89 per kL

Fixed charge for each 20mm water meter over 5 years



Variable charge over 5 years

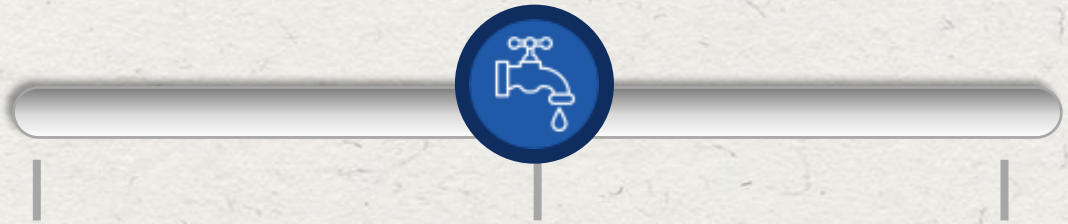


These amounts are *before* inflation is added. Number are illustrative only.

PRICE INCREASE OPTION 2

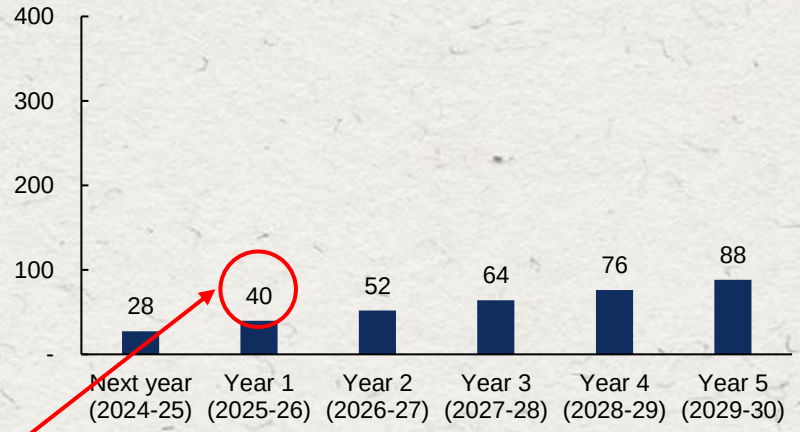
All in the fixed price

All in the variable (usage) price

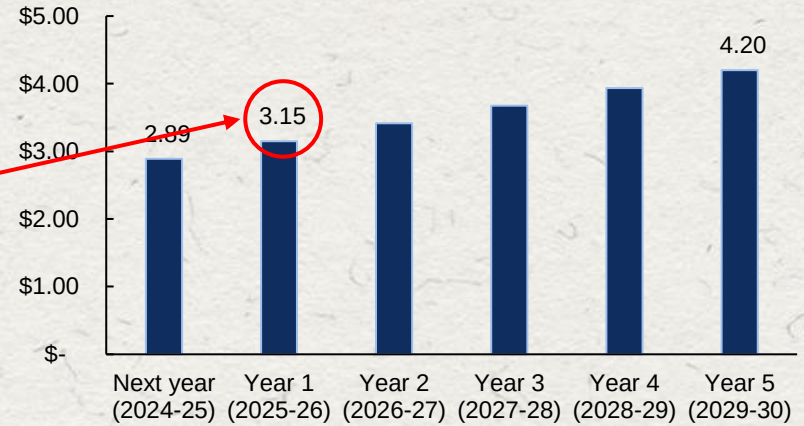


2025 prices		2026 prices
Fixed charge $28	Goes up by $12 every year →	**Fixed charge $40**
Variable $2.89 per kL	→ Goes up by $0.26 per kL	**Variable $3.15 per kL**

Fixed charge for each 20mm water meter over 5 years



Variable charge over 5 years



These amounts are *before* inflation is added. Number are illustrative only.

HOW MUCH DO BUSINESSES PAY FOR WATER OVER THE 5 YEARS?

What does option 2 do the 'water' part of businesses bills?
What are the differences between option 1 and option 2?

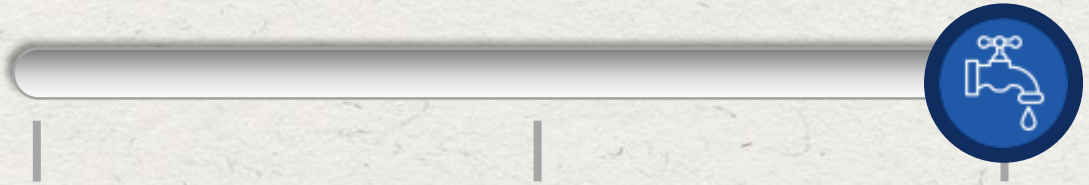
	 Small industrial business	 Small shop	 Medium licensed hotel or club	 Medium industrial business	 Regional shopping centre
Water use (kilolitres per year)	50	230	496	110,000	102,000
Option 1: All in fixed charge	$1,600	$4,500	$18,000	$1,441,000	$1,330,000
Option 2: In both the fixed and usage charge	$1,100	$4,200	$20,000	$1,794,000	$ 1,662,000

These amounts are *before* inflation is added. Number are illustrative only.
The five year amount is in present value terms. We've made this adjustment so you don't have to think about timing.

PRICE INCREASE OPTION 3

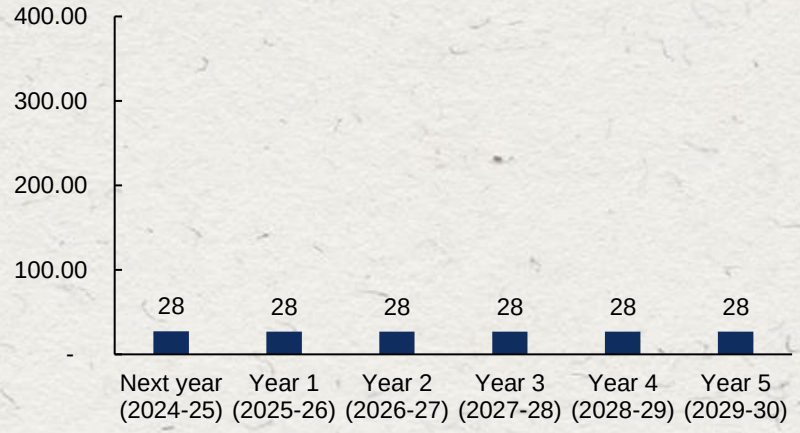
All in the fixed price

All in the variable (usage) price

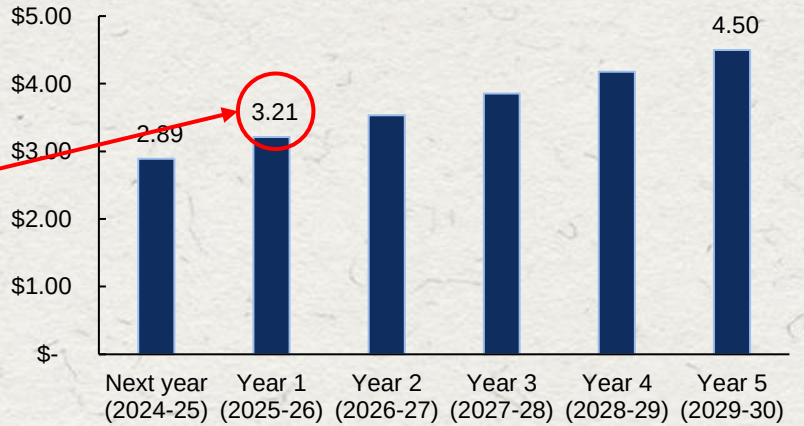


2025 prices		2026 prices
Fixed charge $28	Stays the same →	Fixed charge $28
Variable $2.89 per kL	Goes up by $0.32 per kL →	**Variable $3.21 per kL**

Fixed charge for 20mm water meter over 5 years



Variable charge for over 5 years



These amounts are *before* inflation is added. Number are illustrative only.

HOW MUCH DO BUSINESSES PAY FOR WATER OVER THE 5 YEARS?

What does option 3 do the 'water' part of businesses bills?
What are the differences between options 1, 2 and 3?

Small industrial business

Small shop

Medium licensed hotel or club

Medium industrial business

Regional shopping centre

Water use (kilolitres per year)	50	230	496	110,000	102,000
Option 1: All in fixed charge	$1,600	$4,500	$18,000	$1,441,000	$1,330,000
Option 2: In both the fixed and usage charge	$1,100	$4,200	$20,000	$1,794,000	$ 1,662,000
Option 3: All in usage charge	$1,000	$4,100	$21,000	$1,874,000	$1,737,000

These amounts are *before* inflation is added. Numbers are illustrative only.
The five year amount is in present value terms. We've made this adjustment so you don't have to think about timing.

Activity #2: Thoughts on bill variability

Thoughts from people who did the survey:

"I feel the water charges are relatively good. People have to learn/understand how to conserve their own water usage - I think it is up to the individual."

"Believe this is a great incentive to encourage households to save water. There should be greater variability than in the previous scenarios such that there is little to no subsidisation by small water users for larger users."

"User pays will effectively cost families more due to size. Families with children are the ones who usually the ones who are pool owners and older people on pension generally have bigger gardens which require more water, and they will pay more with their fixed low income."

"The most equitable approach is a user pays model. Currently unfair that someone who doesn't use a lot of water almost pays the same as someone who uses a lot. Maybe lower the fixed charge and increase the variable charge? This would screw me over but would be a better approach for the entire community."

"Only to say it is best to look after people who are responsible and make a genuine effort with their use of water where possible."

"Hunter Water users should be encouraged to minimise water usage and influence their costs by having a cost structure that rewards water savers."

"Cost of water is excessive and in the current cost of living is hard to pay them on time."

Thoughts from sophisticated stakeholders:

"The people who will benefit from more variable pricing are those who can change their usage, or already have low usage. While it might seem fair, the losers are large families who tend to have lot of bills already.

Not all high users are wealthy. People with disabilities who need to do a lot of washing are an example of high users without a big ability to pay more, or to change their usage. On the other hand, the people who you might think will pay more, such as those with high incomes and large gardens, can spend their way out of higher bills by installing water tanks. Renters can't do that, or people without a lot of money." – ***Stuart Wilson, Water Services Association of Australia.***

"In thinking about how much impact more flexible bills might have, a good example is a New Year's Resolution. You make a promise to go to the gym every day and mean it at the time, but three weeks later you're paying for the gym and maybe only going once a week and not really changing your behaviour. Try to be honest about whether adding complexity will really motivate you to change your behaviours anymore." – ***Douglas McCloskey, PIAC.***

"So, yes, more variable prices create a reason to save water, but they hurt some very needy people. It will hurt large users who aren't rich, as opposed to those who waste water." – ***Stuart Wilson, Water Services Association of Australia.***

"We all want to use and conserve water well, but you should think about how much price really matters to each decision you make when using water and how much change you could really make?" – ***Douglas McCloskey, PIAC.***

These sophisticated stakeholders don't work for Hunter Water. PIAC is the Public Interest Advocacy Centre is an independent, non-profit organisation that works to change laws, policies and practices that cause injustice and inequality. WSAA is the Water Services Association of Australia, the peak body for the urban water industry. It promotes debate, influences policy, improves industry performance and fosters collaboration. Brad Webb has held numerous roles aimed at increasing social justice, from Committee for the Hunter to NSW Council of Social Service to Castle Personnel, which provides employment and NDIS support services to people who live with a disability.

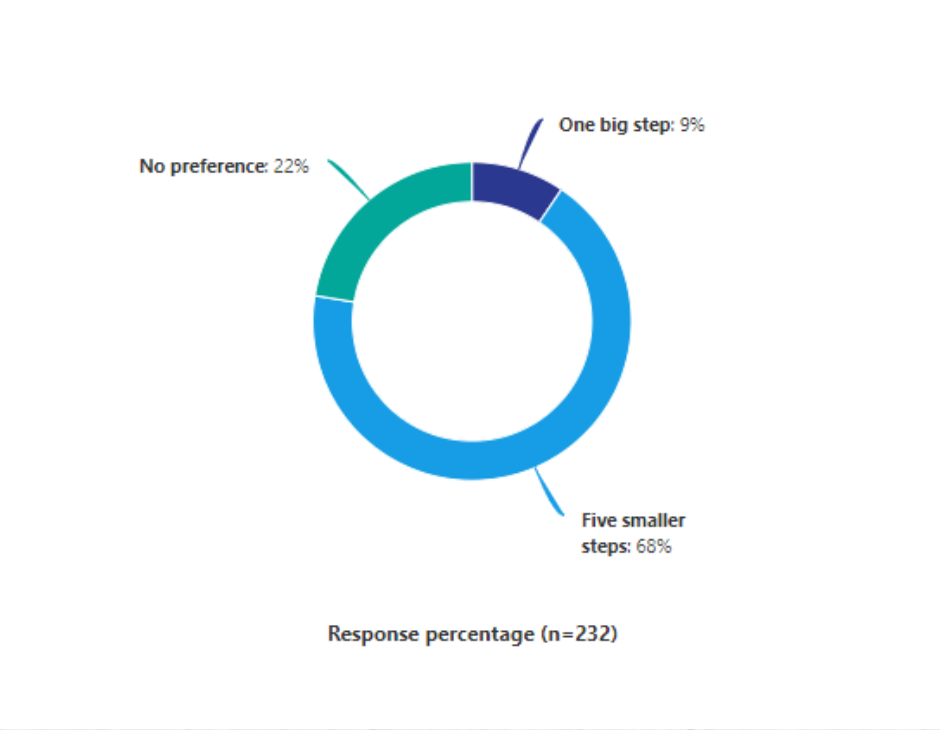
Activity 3 – Pace of water price changes

SHOULD PRICES INCREASE SLOWLY OR QUICKLY?

In each of the three options, prices can increase slowly or quickly. Here are the results of community survey on this issue.

The cost of essential services is rising. As a result, customer bills will also need to rise during the period 2025 to 2030.

In introducing higher prices, how gradual should the change be, noting that the total of bills over the fine year period is approximately the same?



Which approach do you think is best for the Lower Hunter and why?

In both scenarios Hunter Water receives the same amount of revenue.

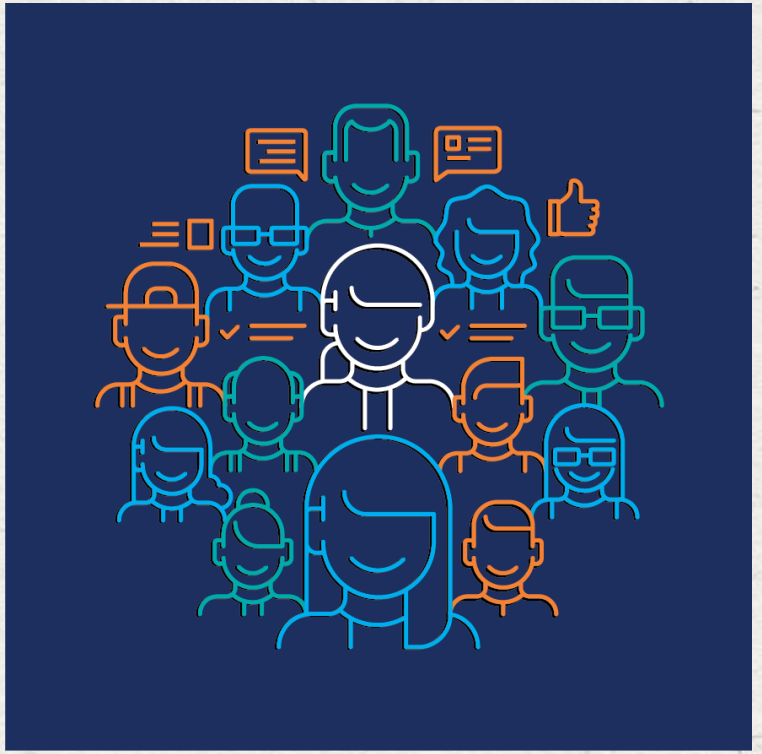
WHERE TO FROM HERE?

Your feedback will help Hunter Water to decide the prices it will include in the Pricing Proposal submitted to the regulator (IPART) in September 2024.

IPART's review will run from October 2024 to June 2025. It will include more opportunities to have your say.

If you have further feedback or questions, please email pricing.engagement@hunterwater.com.au

For updates, please visit: https://www.hunterwater.com.au/haveyoursay



THANK YOU

Any questions?

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