



## Technical Paper 8

# Pricing of water and sewerage

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September 2025

Central  
Coast  
Council

Water  
and Sewer

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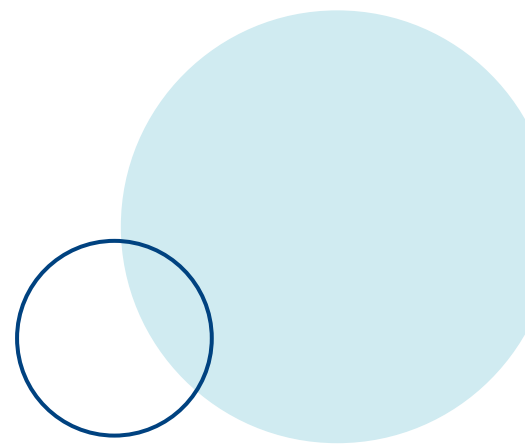
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# 1 Key points

- Beginning in 2023 and extending to 2025, Council initiated engagement with our community regarding:
  - Their values in relation to the Council's water and sewer services.
  - What the most important value is regarding services delivered.
  - Service level targets and performance.
  - If the community was willing to pay for improving performance and reducing service level targets.
  - Bill structure
  - The community preferred one increase in the bills and then to remain stable (other than CPI). In addition, the preference was to have a higher water usage charge, as it would allow better control over the bill. While the community expressed a preference for bill structure and control, this does not imply broad support for price increases, noting that customers did understand the need to invest.
- The community showed support for paying an additional \$1 per year on their bill to increase the length of water mains cleaning from 50 to 100 km. Water quality emerged as the most important customer value, and the proactive nature of this program aims to prevent future problems. The discretionary expenditure for the mains cleaning is included in the proposed prices.
- Total bills increasing from \$1,553.23 in 2025-26 (\$2026-27) to \$1,676.36 in 2026-27 (\$2026-27) an 8.0% increase.
- Water usage charge will reference the LRMC it will increase from \$2.70 in 2025-26 (\$2026-27) to \$3.18 in 2026-27 (\$2026-27) a 17.8% increase.
- Water service charge for a 20mm meter will decrease from \$366.04 in 2025-26 (\$2026-27) to \$222.92 in 2026-27 (\$2026-27) a 39.1% reduction.
- Water usage charge will increase (based on 180kL) from \$486.00 in 2025-26 (\$2026-27) to \$572.40 in 2026-27 (\$2026-27) a 17.8% increase.
- Sewerage service charge will increase from \$561.19 in 2025-26 (\$2026-27) to \$766.64 in 2026.27 (\$2026-27) a 36.6% increase.
- The sewerage usage charge will decrease from \$1.12 in 2025-26 (\$2026-27) to \$0.92 in 2026.27 (\$2026-27) a 17.9% reduction.
- Currently Council provides pensioners with a reduction of 50% of the water supply service and water usage charges levied up to a maximum of \$87.50 per annum. A further reduction of 50% of sewerage service and sewerage usage charges is levied up to a maximum of \$87.50 (residential customers only).
- Council will be using a total of \$75.9M in reserves (\$2025-26) to assist in funding operational expenditure.
- Proposed prices in this document are shown in \$2026-27 using an anticipated Consumer Price Index (CPI) provided by IPART of 2.9%. which is the March 2026 forecast (Definitive Mean Consensus inflation forecast as at 16/01/25).



## 2 Introduction

Unlike other Local Water Utilities, Council, when setting prices does not reference the Department of Planning and Environment (DPE) "Best Practice Management of Water Supply and Sewerage Guidelines". Council is legislated to reference IPART's Regulatory framework. Council is the only local water utility where pricing and developer charges are regulated by IPART.

Central Coast Council (Council) has calculated water and sewer prices that allow for the recovery of proposed target revenues. The proposed pricing allows Council to recover the revenue between residential and non-residential customers via the fixed and usage charges for water and sewer. This pricing reflects IPART's best practice principles and past IPART decisions.

The bills have been calculated to remain consistent in real terms<sup>1</sup> throughout the proposed determination period. This was evidenced by the recent community engagement where participants preferred flat and steady bills. In addition, there was preference for a higher usage charge to allow better control and affordability. This was evidenced where 77% of customers surveyed wanted the bulk cost in the usage charge.

The following options were presented to the community.

- **Bill structure** – one jump and remain stable other than consumer price index (CPI) for the remainder of the determination period or a gradual increase (flight path) each year over the determination period (also increasing with CPI). Alternatively starting with higher bill in year one and then decreasing over the determination period.
- **Bill control** - The apportionment of the bill between usage and service charges. The scenarios were a higher water usage charge and a lower service charge, lower usage charges and higher service charges or evenly split.

Generally, the community preferred one increase in the bills and then to remain stable (other than CPI). In addition, the preference was to have a higher water usage charge, as it would allow better control over the bill. The forecast bill shows the split that 72% is from water usage and 28% from service charges. Sewer charges are different where most of the bill comes from the service charge and not the deemed usage.

Bills are calculated by summing up the total revenue required for the proposed 5-year determination period and smoothing the billing evenly so the only increase will be the application of the Consumer Price Index (CPI) per annum.

When establishing Council's pricing for the 2026 determination period, the community was engaged to gather feedback on proposed increases to pricing for specific issues regarding

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<sup>1</sup> \$Real are prices shown in \$2026-27 without future CPI added. \$Nominal are prices where anticipated CPI is included in prices.,

community values related to water quality, reliable services and a rebate program related to water conservation.

### **Getting the community involved**

Beginning in 2023, Council initiated engagement with our community regarding:

- Their values in relation to the Council's water and sewer services.
- What the most important value is regarding services delivered.
- Service level targets and performance.
- If the community was willing to pay for improving performance and reducing service level targets.

During each engagement, these values were revisited to determine if there was a shift in importance. However, the values remained constant.

The community showed support for paying an additional \$1 per year on their bill to increase the length of water mains cleaning by 50km. Water quality emerged as the most important customer value, and the proactive nature of this program aims to prevent future problems. In addition, while there was limited support to reduce unplanned water outages using S-Gate valves, non-residential customers showed strong support as water continuity plays a crucial role in manufacturing.

In response, the Council will invest money in both water mains cleaning, reduce the target from 7 to 5, as well as the use of S-Gate<sup>2</sup> valves to reduce water outages. A focus on improving current performance related to sewer overflows.

This Technical Paper details Council's current bills, its proposed billing for water and sewer services, and the reasons for its proposed bills.

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<sup>2</sup> S-Gate valves are a type of resilient seated gate valve designed for potable water systems, allowing installation without disrupting the water supply.

## 3 Background

### 3.1 How Council determines the price for water and sewer

Council's customers live in different types of residences including both residential and non-residential properties, therefore the way Council bills its customers is varied.

**For residential properties there are:**

- Standalone properties - houses where there is one 20mm meter to the property.
- Multi premises (apartment, duplexes etc.) where the residences are individually metered or have a shared meter. These residences can be strata or non-strata.
- Mixed multiple residences (residential and non-residential are in the same property e.g. residences that are on top of shops) where there is a common meter.
- Retirement villages where there is a shared meter/s
- Unmetered properties - where there is a service line to the property but not a meter.
- Unconnected property – where there is no connection to the water and sewer infrastructure.
- Exempt properties – properties exempt includes hospitals, public land, charities, cemeteries, and Aboriginal land Council.

**Water service (Dwelling based) and usage charge**

Except for retirement villages, water service charges are billed based on dwelling (not the size of the meter). For example, a person living in a unit within a residential six-unit apartment block, receives a water service charge which is the same charge as a person living in a house. Each apartment is deemed to be a dwelling even though it has a shared meter. Usage is measured through the meter and then apportioned based on the unit entitlement (Strata).

**Sewer service (Dwelling based) and usage charge**

Except for retirement villages, service charges are based on dwelling (not meter). Like the water service charge, a person living in a unit within a six-unit apartment block would receive a sewer service charge, the same charge as a person living in a house (there is normally a 75% reduction on the sewer service charge for residential properties). Usage is deemed and varies whether it is a multi premise or standalone property. Multi premises have a deemed sewerage usage of 80kL, and a standalone house is 125kL.

Retirement village pricing is based on the meter size, like non-residential properties. Council bills the owner of the retirement village and then it is the owner of the retirement village's responsibility to apportion the charge amongst residents.



**For Non-residential properties there are:**

- Standalone properties where there is one meter.
- Multi premises with individual meters.
- Multi premise where there is a shared meter.
- Unmetered property -where there is a service line to the property but not a meter.
- Unconnected property – where there is no connection to the water and sewer infrastructure.
- Exempt properties – properties exempt includes hospitals, public land, charities, cemeteries, and Aboriginal land Council.

**Water service and usage charge**

Non-residential properties are billed based on the meter size. The meter size varies according to the business and the required meter to service it needs. Meter sizes vary from a 25mm to a 100mm. The larger the meter the higher the service charge. Usage is billed based on the consumption that goes through the meter.

For non-residential properties that share a meter, the charge is divided by the number of properties. This is the same for water usage where it is divided by the number of properties or by the unit entitlement.

**Sewer service and usage charge**

The sewer service charge, like the water service charge for non-residential properties, is based on the meter size. For non-residential properties that share a meter, the charge is divided by the number of properties.

Sewer usage is based on the water consumption, however depending on the type of business, a discharge factor is applied that reduces the sewer usage applied.

**Unmetered property**

Unmetered properties where there is a water service line or sewer sideline connected to the property but does not have a meter, are charged a service charge. The exception being where there has been a requested disconnection. Water usage is only charged if there has been previous consumption within the previous billing period.

**Exempt properties**

Exempt properties pay only water and sewer usage charges.

## 3.2 Bill comparison

Summary bill impacts are provided in the table below for residential properties, showing combined movement in prices from the:

- 2022-2026 determination period (last year)
- 2026-2031 determination period (first year)

Table 1: Current and proposed typical residential bills (\$2026-27)

| <b>Assumptions</b>                                          | <b>2022</b>                      | <b>2026</b>                      |
|-------------------------------------------------------------|----------------------------------|----------------------------------|
| <b>3 bed house</b>                                          | <b>Current</b>                   | <b>Proposed</b>                  |
| <b>1x20mm meter</b>                                         | <b>Determination 2025-26</b>     | <b>Determination 2026-27</b>     |
| <b>Annual metered water usage of 180kL*</b>                 | <b>Central Coast Council LGA</b> | <b>Central Coast Council LGA</b> |
|                                                             | <b>(\$2026-27)</b>               | <b>(\$2026-27)</b>               |
| <b>Water service</b>                                        | 366.04                           | 222.92                           |
| <b>Water usage (kL x usage charge)</b>                      | 486.00                           | 572.40                           |
| <b>Sewer service (includes usage @125kL x usage charge)</b> | 701.19                           | 881.04                           |
| <b>TOTAL bill</b>                                           | <b>\$1,553.23</b>                | <b>\$1,676.36</b>                |
| <b>Percentage change</b>                                    |                                  | <b>8.0%</b>                      |

\*kL = kilolitre = thousand litres, sewer service charge for residential includes 75% discharge allowance.

Stormwater drainage has been removed as this is no longer part of the proposed determination period.

## 4 Water prices

### 4.1 Current water prices

Water prices consist of a fixed service charge and volumetric usage charges.

#### 4.1.1 Water usage charge

The water usage charge is applied to the volume of water that is used by Council's customers. The average household usage is approximately 180kL per year. Usage charges normally account for most of the bill.

Council's water usage charge is currently \$2.62/kL in \$2025-26 and is set with reference to the Long Run Marginal Cost (LRMC refer section 4.1.5).

#### 4.1.2 Water service charge

The water service charge is a fixed annual charge and serves, in part, to recover the costs of providing water services that are not recovered via the water usage charge.

A common service charge is applied to residential customers regardless of the dwelling type or metering arrangements. The service charge that non-residential customers pay is based on their meter size using a 20mm equivalent as the basis to the final price<sup>3</sup>. The current service charge for a 20mm meter being \$355.72 (\$2025-26). Please refer to Table 2.

*Table 2: Example of current water bills - non-residential consumption is higher than the average for residential here for illustrative purposes only using 180kl (\$2025-26)*

| Water | Service charge<br>(\$2025-26) | Usage per kL<br>(\$2025-26) | Usage charge<br>based on<br>180kL<br>(\$2025-26) | Average bill<br>(\$2025-26) |
|-------|-------------------------------|-----------------------------|--------------------------------------------------|-----------------------------|
| 20mm  | 355.72                        | 2.62                        | 471.60                                           | 827.32                      |
| 25mm  | 555.81                        | 2.62                        | 471.60                                           | 1,027.41                    |
| 40mm  | 1,422.88                      | 2.62                        | 471.60                                           | 1,894.48                    |
| 50mm  | 2,223.25                      | 2.62                        | 471.60                                           | 2,694.85                    |
| 80mm  | 5,691.52                      | 2.62                        | 471.60                                           | 6,163.12                    |
| 100mm | 8,893.00                      | 2.62                        | 471.60                                           | 9,364.60                    |

When setting prices, Council ensures that it complies with IPART's pricing principles that are illustrated below.

#### IPART's overarching principles

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<sup>3</sup> The 20 mm equivalent is using the following methodology Meter size(squared)\* 20mm price/400.

Using a 25mm meter =  $25 \times 25 = 625 \times \$355.72 / 400 = \$555.81$

IPART's principals related to prices are highlighted in IPART's *Water Regulation Handbook framework July 2022 Chapter 4 "Elements of a pricing proposal" page 49.*

IPART expects Council to engage with their customers on how they propose to set service charges and how they have considered the following principles:

- water and sewerage service charges reflect the capacity available for the customer (based on size of water connection)
- service charges for houses and apartments are similar,

In addition, Council is expected to engage with their customers/community on price structure. Council may propose prices diverging from usage prices related to the Long Run Marginal Cost (LRMC) if there are clear customer preferences.

### **Proposed water usage price and service charge**

Council's proposed water prices are set in accordance with IPART's pricing principles. The usage charge is set with reference to the long run marginal cost (LRMC) of water supply and customer preferences. The fixed service charge is calculated as a balancing item to allow the overall recovery of the water revenue requirement.

#### **4.1.3 Proposed water usage and service charges and example bills**

The current and proposed prices for standard 20mm<sup>4</sup> residential customers are shown in Table 3. Non-residential charges are shown in Table 4. Bill impacts are shown in Table 5 and Table 6.

All the requested expenditure is based on thorough analysis of the critical needs of Council to ensure that it can provide sustainable and efficient services for its community.

*Table 3: Water bills - standard residential 20mm service charge shows current and proposed in \$2026-27 (applied CPI of 2.9%)*

|                               | <b>Current prices<br/>2025-26<br/>(\$2026-27)</b> | <b>Proposed prices<br/>2026-27<br/>(\$2026-27)</b> | <b>Change %</b> |
|-------------------------------|---------------------------------------------------|----------------------------------------------------|-----------------|
| <b>Service charge (\$ pa)</b> | 366.04                                            | 222.92                                             | -39.1%          |
| <b>Usage charge (\$/kL)</b>   | 2.70                                              | 3.18                                               | 17.8%           |

*Note: the service charge applies equally to those living in houses, apartments, multi premises, mixed multi premise and unmetered properties. Exempt properties pay for water and sewer usage only. The table above and below sets the price for the meter sizes in Council's current fleet. The prices to be charged for any meter not currently in Council's fleet the following formula to be used: (meter size mm)<sup>2</sup> x water services charge for a 20mm Meter /400*

<sup>4</sup> All services charges are based on the 20mm equivalent e.g. the IPART formula is applied

(meter size mm)<sup>2</sup> x water services charge for a 20mm Meter /400 for a 25mm = \$571.93 (\$2026-27)

Table 4: Water non-residential service charge based on meter size shows current and proposed in \$2026-27 (applied CPI of 2.9%)

| Water Service charge (\$pa) | Current prices<br>2025-26<br>(\$2026-27) | Proposed prices<br>2026-27<br>(\$2026-27) | Change % |
|-----------------------------|------------------------------------------|-------------------------------------------|----------|
| 25mm                        | 571.93                                   | 222.92                                    | -39.1%   |
| 32mm                        | 937.04                                   | 348.31                                    | -39.1%   |
| 40mm                        | 1,464.12                                 | 570.68                                    | -39.1%   |
| 50mm                        | 2,287.69                                 | 891.68                                    | -39.1%   |
| 65mm                        | 3,866.25                                 | 1,393.25                                  | -39.1%   |
| 80mm                        | 5,856.50                                 | 2,354.59                                  | -39.1%   |
| 100mm                       | 9,150.78                                 | 3,566.72                                  | -39.1%   |
| 150mm                       | 20,589.52                                | 5,573.00                                  | -39.1%   |
| 200mm                       | 36,603.59                                | 12,539.25                                 | -39.1%   |
| Usage charge (\$/kL)        | 2.70                                     | 3.18                                      | 17.8%    |
| Using 300kL                 | 810.00                                   | 954.00                                    | 17.8%    |
| Exempt (usage only)         | 2.70                                     | 3.18                                      | 17.8%    |
| Using 300kL                 | 810.00                                   | 954.00                                    | 17.8%    |

Note: Water usage is charged at \$3.18 per kL and this needs to be added to the service charge based on 300kL

Table 5: Water Bill impacts residential 20mm connection 180kL per annum shows current and proposed in \$2026-27 (applied CPI of 2.9%)

|                      | Current prices<br>2025-26<br>(\$2026-27) | Proposed prices<br>2026-27<br>(\$2026-27) | Change %     |
|----------------------|------------------------------------------|-------------------------------------------|--------------|
| Service charge       | 366.04                                   | 222.92                                    | -39.1%       |
| Usage charge (180kL) | 486.00                                   | 572.40                                    | 17.8%        |
| <b>TOTAL</b>         | <b>852.04</b>                            | <b>795.32</b>                             | <b>-6.7%</b> |

Table 6: Bill impacts non-residential various meter sizes and 300kL per shows current and proposed \$2026-27 (applied CPI of 2.9%)

| Non residential - assume 300kL p/a | Current prices<br>2025-26<br>(\$2026-27) | Proposed prices<br>2026-27<br>(\$2026-27) | Change %      |
|------------------------------------|------------------------------------------|-------------------------------------------|---------------|
| Service charge 25mm                | 571.93                                   | 348.31                                    | -39.1%        |
| Usage charge (based on 300kL)      | 810.00                                   | 954.00                                    | 17.8%         |
| <b>Total</b>                       | <b>1,381.93</b>                          | <b>1,302.31</b>                           | <b>-5.8%</b>  |
| Service charge 32mm                | 937.04                                   | 570.68                                    | -39.1%        |
| Usage charge (based on 300kL)      | 810.00                                   | 954.00                                    | 17.8%         |
| <b>Total</b>                       | <b>1,747.04</b>                          | <b>1,524.68</b>                           | <b>-12.7%</b> |
| Service charge 40mm                | 1,464.12                                 | 891.68                                    | -39.1%        |
| Usage charge (based on 300kL)      | 810.00                                   | 954.00                                    | 17.8%         |
| <b>Total</b>                       | <b>2,274.12</b>                          | <b>1,845.68</b>                           | <b>-18.8%</b> |
| Service charge 50mm                | 2,287.69                                 | 1,393.25                                  | -39.1%        |
| Usage charge (based on 300kL)      | 810.00                                   | 954.00                                    | 17.8%         |
| <b>Total</b>                       | <b>3,097.69</b>                          | <b>2,347.25</b>                           | <b>-24.2%</b> |
| Service charge 65mm                | 3,866.25                                 | 2,354.59                                  | -39.1%        |
| Usage charge (based on 300kL)      | 810.00                                   | 954.00                                    | 17.8%         |
| <b>Total</b>                       | <b>4,676.25</b>                          | <b>3,308.59</b>                           | <b>-29.2%</b> |
| Service charge 80mm                | 5,856.50                                 | 3,566.72                                  | -39.1%        |
| Usage charge (based on 300kL)      | 810.00                                   | 954.00                                    | 17.8%         |
| <b>Total</b>                       | <b>6,666.50</b>                          | <b>4,520.72</b>                           | <b>-32.2%</b> |
| Service charge 100mm               | 9,150.78                                 | 5,573.00                                  | -39.1%        |
| Usage charge (based on 300kL)      | 810.00                                   | 954.00                                    | 17.8%         |
| <b>Total</b>                       | <b>9,960.78</b>                          | <b>6,527.00</b>                           | <b>-34.5%</b> |
| Service charge 150mm               | 20,589.52                                | 12,539.25                                 | -39.1%        |
| Usage charge (based on 300kL)      | 810.00                                   | 954.00                                    | 17.8%         |
| <b>Total</b>                       | <b>21,399.52</b>                         | <b>13,493.25</b>                          | <b>-36.9%</b> |
| Service charge 200mm               | 36,603.59                                | 22,292.00                                 | -39.1%        |
| Usage charge (based on 300kL)      | 810.00                                   | 954.00                                    | 17.8%         |
| <b>Total</b>                       | <b>37,413.59</b>                         | <b>23,246.00</b>                          | <b>-37.9%</b> |
| Service charge 250mm               | 57,193.11                                | 34,831.25                                 | -39.1%        |
| Usage charge (based on 300kL)      | 810.00                                   | 954.00                                    | 17.8%         |
| <b>Total</b>                       | <b>58,003.11</b>                         | <b>35,785.25</b>                          | <b>-38.3%</b> |
| Service charge 300mm               | 82,358.07                                | 50,157.00                                 | -39.1%        |
| Usage charge (based on 300kL)      | 810.00                                   | 954.00                                    | 17.8%         |
| <b>Total</b>                       | <b>83,168.07</b>                         | <b>51,111.00</b>                          | <b>-38.5%</b> |



| Non residential - assume 300kL p/a | Current prices<br>2025-26<br>(\$2026-27) | Proposed prices<br>2026-27<br>(\$2026-27) | Change %      |
|------------------------------------|------------------------------------------|-------------------------------------------|---------------|
| Service charge 350mm               | 112,098.49                               | 68,269.25                                 | -39.1%        |
| Usage charge (based on 300kL)      | 810.00                                   | 954.00                                    | 17.8%         |
| <b>Total</b>                       | <b>112,908.49</b>                        | <b>69,223.25</b>                          | <b>-38.7%</b> |
| Service charge 400mm               | 146,414.35                               | 89,168.00                                 | -39.1%        |
| Usage charge (based on 300kL)      | 810.00                                   | 954.00                                    | 17.8%         |
| <b>Total</b>                       | <b>147,224.35</b>                        | <b>90,122.00</b>                          | <b>-38.8%</b> |

*Note. the sewerage usage of 300kL is indicative only as sewerage usage for non-residential customers varies across different business types and water consumption.*

#### 4.1.4 Pensioner Rebates

Currently Council provides pensioners with a reduction of 50% of the water supply service and water usage charges levied, up to a maximum of \$87.50 per annum. A further reduction of 50% of sewer service and sewer usage charges is levied up to a maximum of \$87.50 (residential customers only).

The pensioner rebate is calculated based on the percentage ownership of the property.

For example, where a property is jointly owned and only one property owner is an eligible pensioner, the maximum pensioner rebate is 50%. Maximum rebate is \$43.75 per annum being \$87.50 x 50%.

Pensioner rebates are applied to service charges first and then to usage charges if there is any remaining.

#### 4.1.5 Long run marginal cost of water supply

The usage tariff, which is the amount paid per kL, is set as the long run marginal cost (LRMC) of water supply.

The Long Run Marginal Cost (LRMC) of a utilities water supply scheme is a preferred guide when setting water usage prices. IPART utilise the LRMC as price signal for the long-term value of water being used by customers.

Hunter Water Corporation (HWC) and Central Coast has a water sharing agreement which allows mutual transfer of water between both water supply systems.

Hunter Water Corporation (HWC) has developed its Lower Hunter Water Security Plan (LHWSP) around the same time council developed its Central Coast Council Water Security Plan (CCCWSP). The augmentation of any of the water supply systems enhances the yield of the water supply system on the other side of the boundary as described in both plans. Please refer to Table 7.

Table 7: Supply portfolio - A2 and proposed augmentation year

| Supply portfolio – A2                                                     | Augmentation year |
|---------------------------------------------------------------------------|-------------------|
| Existing spare capacity                                                   | 2025              |
| Hunter Water Belmont desalination plant benefits                          | 2030              |
| Increased utilisation of ground water                                     | 2031              |
| Expand existing sewage treatment plant-based recycling schemes (low-high) | 2037              |
| Potable recycled water (6ML/d)                                            | 2041              |
| Desalination plant (30 ML/d) ON@45;OFF@55                                 | 2057              |

The LRMC is calculated as the discounted cost per megalitre (ML) of the supply portfolio based on the capital and operating costs of the portfolio infrastructure. The LRMC calculations are shown in Table 8.

Table 8: LRMC calculations

| Augmentation                                                              | Unit             | NPV<br>(\$2025-26) |
|---------------------------------------------------------------------------|------------------|--------------------|
| Existing spare capacity                                                   | \$million        | 7.3                |
| Hunter Water Belmont desalination plant benefits                          | \$million        | 1.4                |
| Increased utilisation of ground water                                     | \$million        | 10.4               |
| Expand existing sewage treatment plant-based recycling schemes (low-high) | \$million        | 9.9                |
| Potable recycled water (6ML/d)                                            | \$million        | 68.6               |
| Desalination plant (30 ML/d) ON@45;OFF@55                                 | \$million        | 116.3              |
| <b>Total</b>                                                              | <b>\$million</b> | <b>213.9</b>       |
| Additional demand                                                         | kL               | 69,127             |
| <b>LRMC</b>                                                               | <b>\$/kL</b>     | <b>3.09</b>        |

## 5 Sewerage prices

### 5.1 Current sewer price structure and prices

Council's current sewer prices consist of a fixed service charge based on a 20mm service and a usage charge.

For residential properties there is a deemed usage, which is currently 125kL for a house and 80kL for mixed premises (apartment).

Residential properties also have a fixed sewer discharge factor of 75% which reduces the service charge by this percentage.

Non-residential customers have the service charge based on the size of their meter and the usage is based on the water consumption with a discharge factor applied to both, which is relevant to their type of business.<sup>5</sup> This discharge factor can range from 72-95% which reduces the sewer usage (as not all water through the meter goes to the sewerage network) and the service charge.

#### 5.1.1 Sewer service charge

The sewer service charge is a fixed charge at a rate to recover the capital and operating costs of the sewerage system. Most of the costs associated with providing sewer services are fixed and do not vary with the volume of sewage. Unlike water, where most of the revenue is recovered via usage charges, sewer revenue is recovered mostly via service charges.

The service charge is calculated with reference to the water meter size and a discharge factor. For residential properties this is a 20mm service. For non-residential properties, like water, the service charge is based on a 20mm equivalent<sup>6</sup>.

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<sup>5</sup> A discharge factor reduces the amount of consumption charged understanding that the metered water is not necessarily the water that is discharged to the sewer network.

<sup>6</sup> All services charges are based on the 20mm equivalent e.g. the IPART formula is applied  
(meter size in mm)<sup>2</sup> x sewer service charge for a 20mm Meter /400

### 5.1.2 Sewer usage charges

The variable tariff for sewer is the Short Run Marginal Cost (SRMC) of sewage transport and treatment. The SRMC represents the cost of transporting and treating an additional kL of sewage. Previous IPART determinations have noted that the SRMC does not provide a longer-term price signal on the cost of treatment and transport for the customer. But the inability for customers to materially change their sewer discharge means that a LRMC is not considered appropriate. For this submission, the SRMC will continue to be used.

The SRMC is based on the annual sales volume of sewerage and the variable costs associated with its treatment and transport (Please refer to Table 9).

The current deemed usage for residential is 125kL for residential (houses) and 80kL for multi residential premises (apartments). Non-residential properties are based on the water consumption multiplied by a discharge allowance. There is no intention to change these parameters for the 2026 determination.

Table 9: 2024-25 SRMC variable cost categories

| Variable cost categories    | 2024-25 Base Opex (\$'000) |
|-----------------------------|----------------------------|
| 820001. Materials           | 4,102                      |
| 820004. Chemicals           | 788                        |
| 820010. Fuel                | 270                        |
| 820013. Oils and Lubricants | 24                         |
| 821007. Contracts - Other   | 6,000                      |
| 821008. Effluent Collection | 106                        |
| 870031. Electricity         | 5,693                      |
| <b>TOTAL \$2024-25</b>      | <b>16,983</b>              |
| <b>TOTAL \$2025-26</b>      | <b>17,442</b>              |

The total variable costs, volumes and SRMC are shown in Table 10.

Table 10: SRMC calculation \$2025-26

| Financial year ending 30 June | Units            |        |
|-------------------------------|------------------|--------|
| Variable costs (above)        | \$2025-26 \$'000 | 17,442 |
| Annual volume                 | kL               | 19,617 |
| SRMC                          | \$/kL            | 0.89   |

## 5.2 Proposed sewer usage and service charges

Council's proposed sewer charges should allow the recovery of target revenue. The revenue required is detailed in Technical Paper 6.

Investment in the sewerage network is primarily due to upgrades to Council's sewage treatment facilities to provide capacity for growth or meet environmental regulatory requirements (see Technical Paper 4).

Council is proposing to maintain the 75% discharge allowance for residential customers as well as the 125kL deemed sewage usage for houses and 80kL for apartments.

The proposed residential bill impacts are shown in Table 11.

Table 11: Proposed residential sewer bill shows current and proposed in \$2026-27 (applied CPI of 2.9%) includes 75% discharge allowance.

|                               | Current prices<br>2025-26<br>(\$2026-27) | Proposed prices<br>2026-27<br>(\$2026-27) | Change % |
|-------------------------------|------------------------------------------|-------------------------------------------|----------|
| <b>Service charge (\$ pa)</b> | 561.19                                   | 766.64                                    | 36.6%    |
| <b>Usage charge 125kl</b>     | 140.00                                   | 115.00                                    | -17.9%   |
| <b>Usage charge 80kl</b>      | 89.60                                    | 73.60                                     | -17.9%   |
| <b>Usage charge (\$/kL)</b>   | 1.12                                     | 0.92                                      | -17.9%   |

There is a different deemed usage between residential and multi premises. Apartments etc have a deemed usage of 80kL whereas a house is 125kL. Note: the service charge applies equally to those living in houses, apartments, multi premise, mixed multi premise and unconnected properties. Exempt properties pay for water and sewer usage only (usage charge).

The proposed non-residential charges are shown in Table 12.

Table 12: Sewer non-residential service charge based on meter size shows current and proposed in \$2026-27 (applied CPI of 2.9%)

| Connection size<br>Non-residential | Current prices<br>2025-26<br>(\$2026-27) | Proposed prices<br>2026-27<br>(\$2026-27) | Change % |
|------------------------------------|------------------------------------------|-------------------------------------------|----------|
| <b>20mm</b>                        | 748.25                                   | 1,022.18                                  | 36.6%    |
| <b>25mm</b>                        | 1,169.14                                 | 1,597.16                                  | 36.6%    |
| <b>32mm</b>                        | 1,915.52                                 | 2,616.78                                  | 36.6%    |
| <b>40mm</b>                        | 2,993.01                                 | 4,088.72                                  | 36.6%    |
| <b>50mm</b>                        | 4,676.58                                 | 6,388.63                                  | 36.6%    |
| <b>65mm</b>                        | 7,903.37                                 | 10,796.78                                 | 36.6%    |
| <b>80mm</b>                        | 11,972.04                                | 16,354.88                                 | 36.6%    |
| <b>100mm</b>                       | 18,706.31                                | 25,554.50                                 | 36.6%    |
| <b>Exempt (usage only)</b>         | 1.12                                     | 0.92                                      | -17.9%   |
| <b>Sewer usage charge</b>          | 1.12                                     | 0.92                                      | -17.9%   |

These prices do not include the discharge factor – the maximum to be paid. Exempt properties pay for sewer usage only based on water consumption and discharge factor (usage charge). Exempt properties pay for water and sewer usage only. The table above sets the price for the meter sizes in Council's current fleet. The prices to be charged for any meter not currently in Council's fleet the following formula to be used: (meter size mm)<sup>2</sup> x service charge for a 20mm Meter /400

## 6 Bill impacts

Figure 1 and Table 13 and Table 14 below show the proposed water and sewer bill for an average residential customer. This assumes a house with 180kL of water usage.

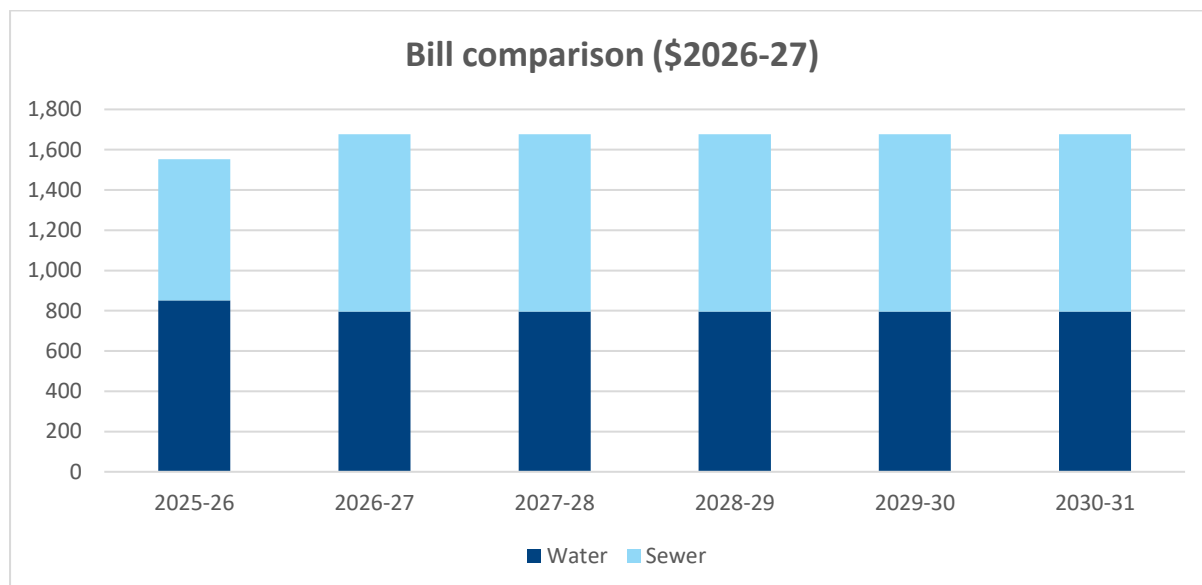


Figure 1: Total residential bill (\$2026-27) last year of current determination compared to proposed 2026 determination

Table 13: Total residential bill (\$2026-27) last year of current determination compared to proposed 2026 determination

| Service      | 2025-26      | 2026-27      | 2027-28      | 2028-29      | 2029-2030    | 2030-2031    |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Water</b> | 851          | 795          | 795          | 795          | 795          | 795          |
| <b>Sewer</b> | 701          | 881          | 881          | 881          | 881          | 881          |
| <b>Total</b> | <b>1,553</b> | <b>1,676</b> | <b>1,676</b> | <b>1,676</b> | <b>1,676</b> | <b>1,676</b> |

Note Bills rounded for illustration purposes only. Based on a house with water consumption of 180kL

The proposal assumes a one-off price increase in the first year and then increases each year after that in line with inflation (\$nominal). Table 14 below shows the increases each year assuming an inflation rate of 2.5% per year.<sup>7</sup>

Table 14: Total residential bill (\$nominal) last year of current determination compared to proposed 2026 determination

| Service      | 2025-26      | 2026-27      | 2027-28      | 2028-29      | 2029-2030    | 2030-2031    |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Water</b> | 827          | 795          | 815          | 835          | 856          | 878          |
| <b>Sewer</b> | 682          | 882          | 903          | 925          | 949          | 972          |
| <b>Total</b> | <b>1,509</b> | <b>1,677</b> | <b>1,719</b> | <b>1,761</b> | <b>1,805</b> | <b>1,850</b> |

<sup>7</sup> Used 2.9% to increase from \$2025-26 to \$2026-27 and used 2.5% for each year after 2026-27, as advised by IPART

*Note Bills rounded for illustration purposes only. Based on a house with water consumption of 180kL*

## 7 Non-potable water (unregulated charges)

Non-potable water usage information has been extracted from Council's billing system as of July 2024. Customer's bills are based on the non-potable water consumed except for two customers who have a contract with fixed charges. For the customers who are charged based on non-potable water consumed, the charge per kL is set at 50% of the potable water charge.

Customers with fixed non-potable water services have separate meters for non-potable water usage. Non-potable water meters are read in the same surveys as the more prevalent potable water meters. In Council's billing system, the non-potable meters can be distinguished from potable meters as the meter ID beings with "R" or the meter type includes "RW".

Water tankers transporting non-potable water can access a fixed filling station at Central Coast Stadium. Operators are identified by a coded key fob; volume of non-potable water taken is metered at the filling point communicated to a third-party provider for billing of water taken. Revenue received less service charges are then transferred to Council. Please refer to Table 15.

*Table 15: Non-potable water usage 2023-24*

| Customer Type            | 2023-24 Annualised Usage in kL |
|--------------------------|--------------------------------|
| Residential              | 46,822                         |
| Non-Residential          | 152,131                        |
| Non-Residential – Exempt | 38,952                         |



## 8 Water Industry Competition Act (WICA)

The Water Industry Competition Act 2006 seeks to:

- Encourage competition in relation to the supply of water and the provision of sewer services
- Develop infrastructure for the production and reticulation of recycled water.

The Act also provides for a prospective private entrant to negotiate terms and conditions of access to the infrastructure (and products) of an existing public water agency.

There are two Water Industry Competition Act (WICA) schemes active within the Central Coast LGA. One is at Narara Eco Village, the other located at Catherine Hill Bay (run by Solo Water).

Council does not propose bulk supply charges in place of our standard regulated charges.

Council does not favour separate "wholesale" or "retail-minus" price determination for WICA schemes.

Council favours continuing its transparent approach of treating these schemes as large meter customers.

## 9 Affordability

When Council sets its proposed prices, it endeavours to address the following affordability concerns:

1. Are prices set at a level such that most customers can afford them?
2. Will proposed pricing for Year 1 cause a rapid increase in so far that it may create social impacts? Households have budget commitments and long-term planning on the assumption that the continued low pricing will continue.
3. Do Council's services have a positive impact on the community and the environment?
4. Has the proposed revenue and pricing been spread across the determination period to avoid price shock?

A critical value our customers and community communicated to Council was the cost-of-living crisis and the importance of affordability. Currently, 30% of household income on the Central Coast are classified 'low income' (gross weekly individual income less than \$999 (source Profile ID).

The remainder of the population is made up of low/medium to high level income ranging from \$1200 to \$3135 per week (household income 2021 census from .Id Informed decisions) Refer Figure 2 and Figure 3.

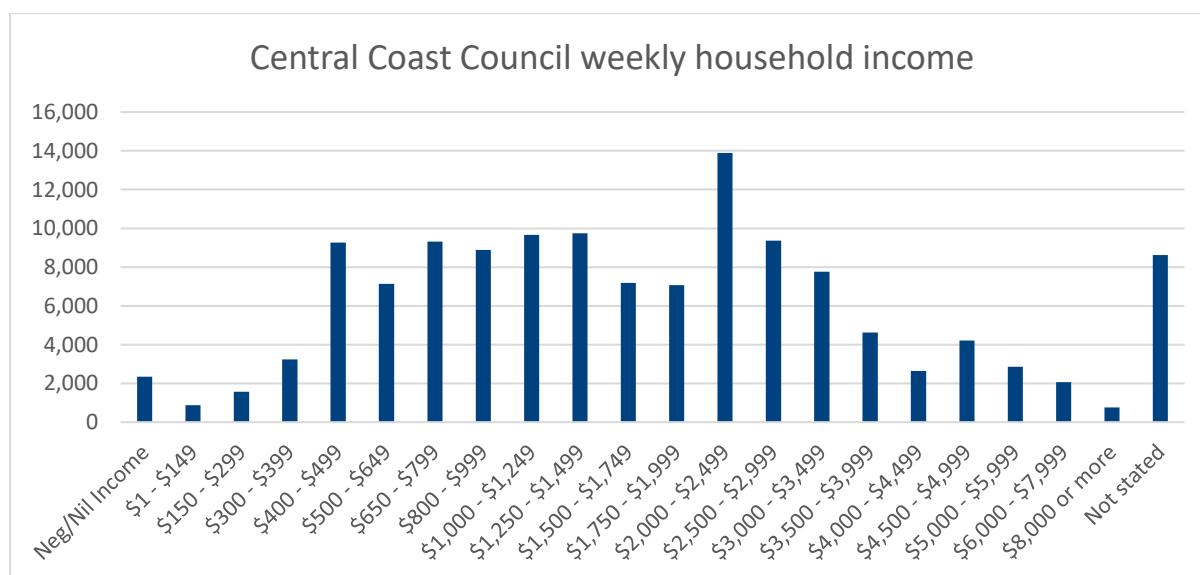


Figure 2: Central Coast Council weekly household income Source: Profile.ID central coast NSW/household income 2021 source census data

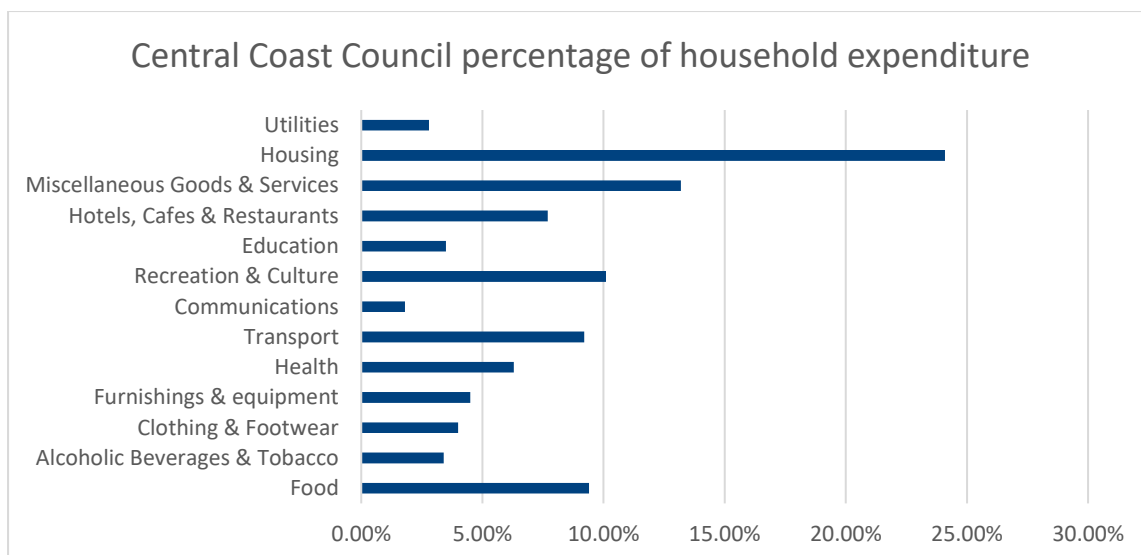


Figure 3: Source [economy.id.com.au/central-coast/household-expenditure](http://economy.id.com.au/central-coast/household-expenditure)

In general water affordability is calculated by the total household bill/the total household income. The affordability metric is normally benchmarked at 3% of household income.

A primary driver for Council when making investment decisions is to be mindful of doing things well and at the lowest cost possible. Ensuring that all investment decisions are done with efficiency and prudence to keep prices low.

Affordability can affect anyone at any time and how paying for water services as well as other essential items such as food, housing and medical bills can be difficult.

The costs for operating water and sewer services are increasing due to economic pressures in relation to contractors, consultants, materials, and energy. In response to these economic pressures, Council will be using a total of \$75.9M in reserves (\$2025-26) to assist in funding operational expenditure to reduce both price and affordability impacts to the community.

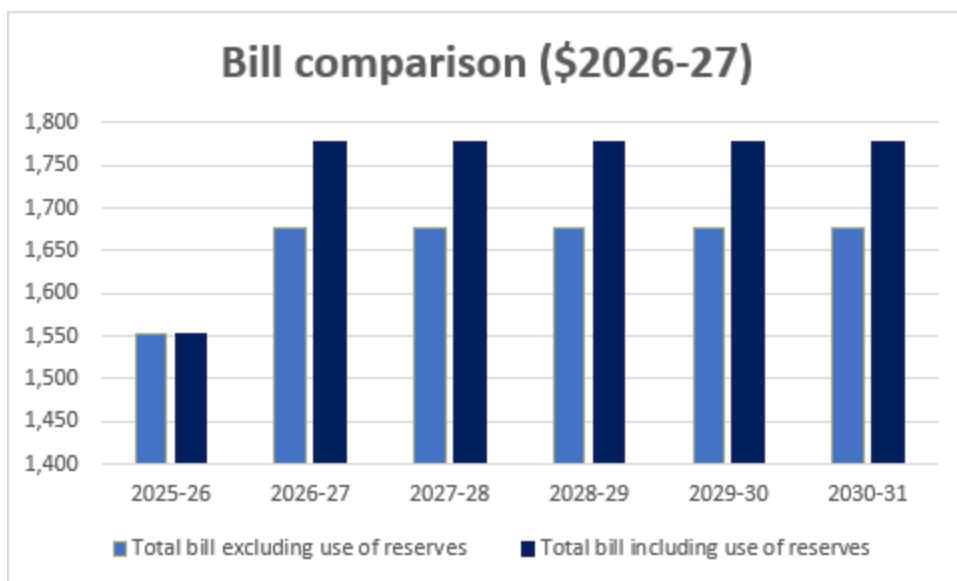


Figure 4: Price impact on using Council's reserves to fund expenditure

This has reduced the impact of increased revenue and reduced the impact on price increases for our community by 6.5% or \$102 (\$2026-27) \$1,778 to \$1,676 (\$2026-27). Refer Figure 4.

In addition, as grants become available Council will investigate and apply.

In addition, results from the community engagement indicated that to address affordability, service charges should be low with an increase to the usage charge allowing more control over the bill.

Council understands that an increase in price will impact 30% of the local government area water (approximately 36,000 household incomes) where the annual income could place some members of our community in vulnerable situations.

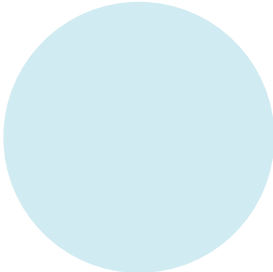
Council provides financial assistance programs and payment plans to assistance our vulnerable members of our community.

## 10 Drought pricing

Pass-through costs are additional expenditure requirements where a regulated business can recover certain unforeseen or significant cost increases from customers, beyond what was already factored into the approved prices. For Council these costs are associated with the increased expenditure required during times of drought. They can be associated with running Council's bores or increased water transfers from Hunter Water.

Council is not expected to experience drought during the 2026-31 Determination period and therefore there are no pass-through costs included in the Determination period.

## Abbreviations



|        |                                                                 |
|--------|-----------------------------------------------------------------|
| CCCWSP | Central Coast Council Water Security Plan                       |
| CPI    | Consumer Price Index                                            |
| kL     | Kilolitres 1000 litres                                          |
| LGA    | Local Government Agency                                         |
| LRMC   | Long Run Marginal Cost                                          |
| ML     | Megalitre (a metric unit of capacity equal to a million litres) |
| OPEX   | Operating expenditure                                           |
| SRMC   | Short Run Marginal Cost                                         |
| WICA   | Water Industry Competition Act                                  |

## References

- Bureau of Meteorology National Performance Report 2023-24: Urban Water Utilities
- Profile.ID central coast NSW/household income 2021 source census data
- Source [economy.id.com.au/central coast/household expenditure](https://economy.id.com.au/central-coast/household-expenditure)



## Technical Paper 8

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