IPART Independent Pricing and Regulatory Tribunal | NSW

Review of Central Coast Council water prices – Draft prices and bill impacts

Draft Information Paper

March 2022

Water »

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly, Chair
Deborah Cope
Sandra Gamble

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Invitation for submissions

IPART invites comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by Thursday, 14 April 2022

We prefer to receive them electronically via our online submission form.

You can also send comments by mail to:

2021-22 Central Coast Council water price review
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop, Sydney NSW 1240

If you require assistance to make a submission (for example, if you would like to make a verbal submission) please contact one of the staff members listed above.

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our website as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed above.

We may decide not to publish a submission, for example, if we consider it contains offensive or potentially defamatory information. We generally do not publish sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please let us know when you make the submission. However, it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's submission policy is available on our website.

The Independent Pricing and Regulatory Tribunal (IPART)

Further information on IPART can be obtained from IPART's website.

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present and emerging.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Contents

Customers should pay no more than needed for safe and reliable water services

IPART sets the maximum prices Central Coast Council can charge its customers for the water, wastewater and other services provided by it as a Water Supply Authority.

IPART also sets the maximum percentage by which Central Coast Council may increase its general income each year through the local government rate peg or special variations.

To ensure it is clear which of Central Coast Council's responsibilities IPART is referring to, throughout this report:

- we refer to the Central Council Council's functions as a Water Supply Authority under the *Water Management Act 2000* as '**CCC Water**'
- we refer to the Central Coast Council's local government functions under the *Local Government Act 1993* as '**the council**'.

Further information is available in our *Draft Technical Paper – Regulatory setting*.

We are currently reviewing CCC Water's prices for its water-related services and have made draft decisions on the prices to apply for the 4 years from 1 July 2022 to 30 June 2026.[a] Our review only considers prices and costs related to CCC Water. It does not consider those related to the council's general activities for which it charges local government rates, levies and other charges.[b]

We consider our draft water prices would allow CCC Water to deliver good quality water and improve services to the community – now and in the future.

This draft information paper focuses on draft prices and bill impacts.

Water, wastewater and other services that deliver secure, safe and reliable water, treat wastewater and protect waterways are critical for the health and well-being of the community and environment. Customers have told us they are concerned about price increases for these services, service levels and CCC Water's performance.

[a] As part of our review we must consider certain matters under the *IPART Act 1992 (NSW)* – detailed information is available in our *Draft Technical Paper – Regulatory setting*.

[b] IPART can also review the council's income from rates, but this is a separate review through the special variation process.

In making our draft decisions on prices, we aimed to balance community concerns with the need to ensure CCC Water has enough income to meet its obligations and service standards and improve services over time. Last time we reviewed CCC Water's prices in 2019, we did not allow its proposed price increases because we were not satisfied that customers were getting the level of service they were paying for. CCC Water had for several years spent less on operating costs than we had previously forecast it would need to spend when we set its prices in the past. It did not provide evidence to justify that it needed more money and therefore higher prices than we determined were necessary to provide its water services efficiently. It also wasn't clear that its service levels were declining. Now there is new information that indicates CCC Water needs to spend more and prices need to increase so that it can maintain its infrastructure and improve water services for its customers.

We have reviewed CCC Water's performance and costs and have looked at what CCC Water's costs should be, based on the costs of a reasonably efficient water business. We have set prices to ensure that customers pay no more than necessary for their water services.

Our draft decisions on prices would increase typical household bills for water, wastewater and other services, but not by as much as CCC Water proposed. In response to community feedback we also decided not to introduce the entire increase in the first year but to instead introduce the increase so that on average typical bills would increase by 19% in the first year of the 2022 determination period and then gradually increase by about 4% and inflation each year after that.[c] CCC Water proposed to increase typical bills by 35% from 1 July 2022. Under our draft decision, a typical household bill would represent around 1.8% of a typical household income in the Central Coast region.

Customers have told us that the draft price and bill increases may lead to affordability issues among the community. To help customers with paying their bills, CCC Water provides assistance such as payment plans, and concessions for pensioners. We encourage CCC Water to consider how it can better target its assistance program to better help customers most in need. We also intend to recommend that the NSW Government reviews pensioner concessions.

[c] Over the 2022 determination period, typical household bills would increase by 25% from 2021-22 to 2025-26 (in addition to changes each year due to inflation). This is an average value that considers the phased-in approach we have undertaken for price increases and reflects the relative value of money over time.

Our draft decisions increase typical bills by 19% on 1 July 2022 and then by 4% each year

Our draft decisions would lead to prices that are higher than current prices and would lead to higher bills. In response to community feedback we have decided not to introduce the entire increase in the first year but to more gradually increase prices to give customers more time to manage the impact.

Under our draft decisions, we have phased-in the price increase so that typical residential household[d] bills increase initially by 19% in the first year of the determination period in 2022-23 and then more slowly over the following 3 years by 4% and inflation from 2023-24 to 2025-26. From 1 July 2022, typical residential bills would increase by about 28% for water services, 11% for wastewater services and 17% for stormwater services.[e] After that from 1 July 2023 to 30 June 2026, water and wastewater bills would increase gradually by 6% and 2% and inflation each year. Stormwater bills would only increase by inflation during this time.

This would increase the bill for a typical household by $200 in 2022-23 and by $49 on average, each year from 2023-24 to 2025-26. Business customers would also see similar increases in prices and bills.

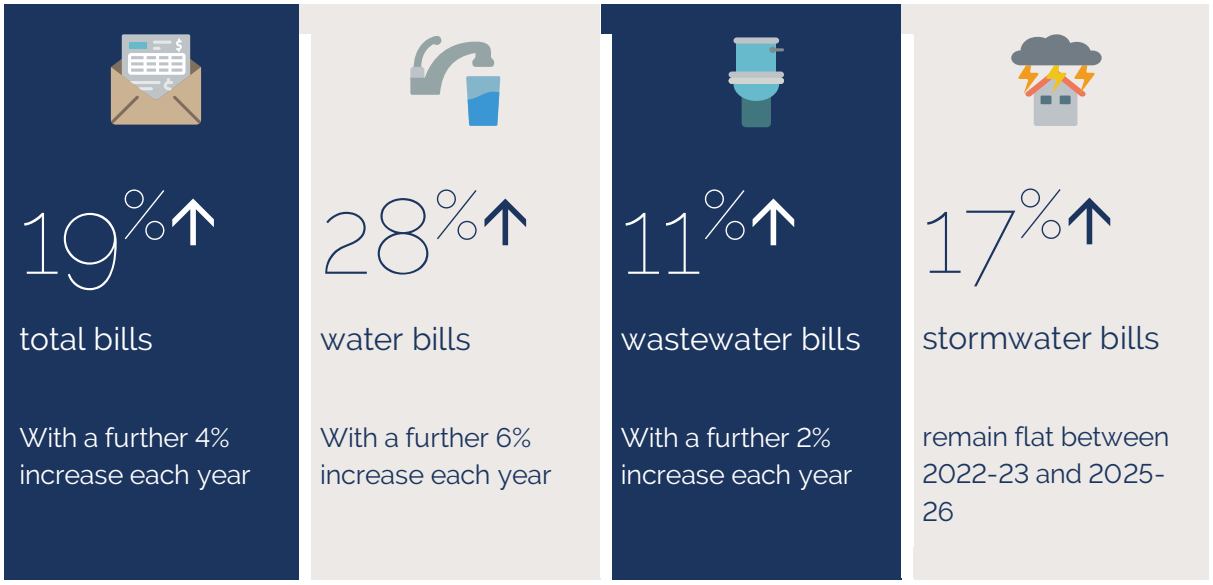
To find out about how our draft prices for the 2022 determination period would affect your bill, please use our **bill calculator**. For more information, please see our prices presented in the following sections.

[d] A typical household bill is based on a household living in a house, with a water usage of 170 kilolitres (kL) a year.

[e] The 11% increase in wastewater bills includes a 7% increase for households in the former Gosford local government area and 15% increase for households in the former Wyong local government area.

Our draft decisions would mean relatively large increases to bills

These increases would start from 1 July 2022 and occur each year until 2025-26.



Note: These increases exclude inflation over the determination period.
Source: Central Coast Council pricing proposal to IPART, September 2021 and IPART analysis.

Under our draft decisions, typical household water service charges would increase the most, on average by $95 from 1 July 2022. This is less than CCC Water's proposed increase of $153. We have agreed with CCC Water's proposed usage price of $2.27/kilolitre (kL).

We decided to align wastewater prices so that all customers living in the Central Coast local government area pay the same for wastewater regardless of whether they live in the former Gosford local government area or the former Wyong local government area. This would lead to an average increase in wastewater bills of 7% ($39) for customers in Gosford and 15% ($75) for customers in Wyong in 2022-23. This is also lower than CCC Water's proposed increase of 18% and 27%, respectively.

Stormwater bills would increase by 17% which is much lower than CCC Water's proposed increase of 69%[f]. CCC Water proposed to fund, through the stormwater charges IPART sets, additional stormwater services that are currently funded by the council's local government rates, We made a draft decision to set stormwater prices only for the stormwater services we currently set charges for and not for any additional stormwater services that the council funds through its local government rates.[g]

Use our **bill calculator** to find out how the draft prices for CCC Water would affect your bills.

[f] In our Issues Paper we reported this increase as 68%. This has now been updated for inflation.

[g] More information is presented in our *Draft Information Paper – Funding stormwater services* and our *Draft Information Paper – Operating and capital costs*.

We looked at the affordability impacts of our draft prices. Under our draft prices:

- A typical CCC Water household would no longer pay the lowest bill compared to what typical households serviced by other water and wastewater utilities in NSW and other comparable utilities in Australia would pay. Typical CCC Water households would instead pay a bill that would be the 5th lowest compared with other comparable utilities in Australia.[h,1]
- A typical CCC Water household bill in 2022-23 would be 9% lower than that of a Hunter Water household customer and 3% higher than that of a Sydney Water household customer.[i]
- A typical water and wastewater bill would be 1.8% of the median household income on the Central Coast.

We consider that the bill increases are necessary to ensure that CCC Water can deliver the services its customers expect. However, customers have told us that the price increases may lead to affordability issues. Particularly, we have found more of an increase in bills as a portion of income for pensioners. Given this, we intend to make a recommendation that the NSW Government reviews current concessions for water and wastewater services.

We also recognise that with increases to CCC Water's spending and prices, it is crucial that CCC Water is more accountable to the community and is transparent about how it spends this money to improve services. We address this issue in our *Draft Information Paper – Improving performance*.

We also set draft prices for trade waste and miscellaneous services and specific customers including retirement villages, 2 *Water Industry Competition Act 2006* (WICA) licensees (Narara Ecovillage and Solo Water at Catherine Hill Bay) and Hunter Water-Central Coast bulk water transfers. These draft prices are set out in our *Draft Technical Paper – Trade waste and other prices*.

Our draft decisions are:

1. To set maximum water prices for CCC Water as shown in Table 1 in our *Draft Information Paper – Draft prices and bill impacts*, including to set the maximum water usage price at $2.27 per kilolitre in real terms over the 4-year determination period from 2022-23 to 2025-26.

2. To set maximum wastewater prices for CCC Water as shown in Table 2 and Table 3 in our *Draft Information Paper – Draft prices and bill impacts*, including to set the maximum wastewater usage price at $0.94 per kilolitre in real terms over the 4-year determination period from 2022-23 to 2025-26.

[h] We did not consider stormwater bills when comparing residential bills across utilities.

[i] This is based on a typical usage which is 170 kL for CCC Water household customers, 189 kL for Hunter Water household customers, 200 kL for Sydney Water household customers. If all CCC Water, Hunter Water and Sydney Water household customers had a usage of 200 kL a year, CCC Water household customers would pay a bill that is 6% lower than what Hunter Water household customer bills would be and 9% higher than what Sydney Water household customer bills would be.

3. To align wastewater prices so that customers in the former Gosford local government area pay the same as equivalent customers in the former Wyong local government area.

4. To set maximum stormwater prices for CCC Water as shown in Table 4 in our *Draft Information Paper – Draft prices and bill impacts,* for the 2022 determination period from 2022-23 to 2025-26.

5. To gradually increase water and wastewater prices over the 2022 determination period by:
   - setting prices in 2022-23 half-way between what the price would be if the total price increase over the period was applied in one go in that year and what the price would be if the total increase was spread evenly across all 4 years of the determination period
   - increasing prices from 2023-24 by spreading the rest of the total price increase across the remaining 3 years.

Our draft recommendations are:

1. That the NSW Government reviews whether the current concessions for water and wastewater services are appropriate.

2. That CCC Water promote its hardship assistance programs and water conservation to assist customers to manage paying for their increased water bills.

Tell us what you think

1. Our draft decision is to phase-in an increase to prices so that typical residential household bills would:
   - increase initially by 19% in the first year of the determination in 2022-23
   - then, increase by 4% and inflation from 2023-24 to 2025-26.

   If we were to set prices to increase only in the first year of the determination period in 2022-23, typical household bills would increase by 25% in 2022-23 and then by inflation only each year after that.

   We want to know what you think about how we introduce the price increase.

We welcome your views and are keen to hear what you think about our draft decisions, draft recommendations and the issues we have raised as presented in our Draft Report summary, information papers and technical papers.

A complete list of all our draft decisions and draft recommendations is available in our *Draft Technical Paper – Regulatory setting*.

Have your say

Your input is critical to our review process.

You can get involved by making a submission, submitting feedback, completing our survey and/or attending a public hearing.

We are seeking feedback by **14 April 2022** on our draft decisions and the issues we have identified.

Submit feedback »

Complete survey »

Register for public hearing »

CCC Water proposed a 35% increase to typical bills

CCC Water proposed substantial price increases that would increase typical household bills by 35% on average in the first year, and then by inflation after that.[j] It argued it needs to increase prices to ensure it can provide water services that meet its customers' expectations now and into the future.

CCC Water recognises that its service quality and assets (e.g. dams, treatment plants) have been declining over time. For example, there has been a recent increase in complaints about water quality and wastewater, as well as reported wastewater overflows.[2] CCC Water is also finding it difficult to meet environmental protection requirements and drinking water standards.

In 2019-20, CCC Water made a large financial loss, coinciding with a decrease in prices from the last time we set prices.[k,3] It considers that it cannot meet the costs of providing good quality services or improve service levels in the long run without increasing its prices.

CCC Water proposes to use the additional money it earns through higher prices to better and more proactively maintain its assets (e.g. dams and pumps) and replace old or worn-out infrastructure (e.g. water pipes and wastewater treatment components). CCC Water argues this would improve service standards and reduce the risk of unplanned interruptions in the future.

The community raised affordability and financial hardship concerns

Most feedback to our Issues Paper raised serious concerns about the impacts of CCC Water's proposed price increase on affordability and financial hardship. Many were worried about worsening financial circumstances across the community brought about by:

- the COVID-19 pandemic (reduced hours and unemployment)
- bushfires
- the recent local government rates increase.

[j] In our Issues Paper we reported this increase as 34%. This has now been updated for inflation.

[k] When we last set prices in 2019, we reduced CCC Water's proposed total costs by $18 million (10%), $12 million of which was on day-to-day operating costs. Although CCC Water's proposed costs were relatively modest compared to other utilities, we did not consider it provided enough evidence to justify the proposed costs. We were not satisfied that customers were getting the level of service they were paying for. CCC Water had not spent money it had collected from its customers on its water services.

65%

of submissions to our Issues Paper expressed concerns about affordability

Our survey showed:

24%	would not be able to afford CCC Water's proposed increase and would require hardship assistance to pay for their bills
26%	would not be able pay their bill on time and would have trouble managing their budget
29%	were not sure whether they would be able to pay for the proposed bill increases and would have to reprioritise their budget
89%	prefer prices to increase gradually if needed

Source: IPART, Thank you for your response to our survey on Central Coast water prices, 16 December, 2021.

Several submissions to our Issues Paper mentioned personal financial situations. Many responders said they were either pensioners on fixed incomes or disability pensions, or low-income earners struggling financially. Others were concerned about increased homelessness and the potential for renters to be impacted through higher water prices passed on from landlords resulting in higher rent prices.

The community also expressed concerns about the fairness of CCC Water's proposed price increase. This was largely because of poor perceptions of the council and CCC Water's performance, service levels and quality, and the independent Public Inquiry currently underway into the council's financial management. This is covered in our *Draft Information Paper – Improving performance.*

Community feedback also showed concerns about paying higher prices for services that customers felt were inadequate or non-existent. In particular, responders submitted concerns about stormwater drainage services such as the lack of kerb and guttering in residential streets and water that drains slowly.

Responders from the rural community voiced concerns about having to pay for stormwater drainage and that it would be unfair to pay for services they are responsible for. Responders explained the work done by farmers to manage stormwater and its importance for growing food and fibre. In this review, we are considering the funding of stormwater services and have made draft decisions that may affect who would pay for stormwater in the future and how.[l]

The community also expressed a preference for the price increase, if needed, to happen gradually as they felt this might minimise the bill impacts over the determination period. The Public Interest Advocacy Centre (PIAC) also preferred a gradual price change to reduce shock to consumers. PIAC argued that if there is an immediate increase "then the community must have confidence that prices will remain stable."[4]

[l] More information is provided in our *Draft Information Paper – Funding stormwater services*.

We set prices based on CCC Water's efficient costs

In making our draft decisions on prices we considered the community's concerns about CCC Water's performance and accountability, and the affordability of its proposed prices. We also considered the costs CCC Water needs to cover so that it can provide water, wastewater and other services that meet its customers' expectations, both now and in the long term. In particular, we considered what the costs of a reasonably efficient water business would be.[m] We aimed to strike the right balance between these concerns and costs.

Currently, there are 2 types of prices for CCC Water's services:

1. **Usage charges** for water and wastewater[n] services. These are consumption-based charges, and how much you pay depends on how much water you used and how much wastewater you produced over the billing period.
2. **Service charges** for water, wastewater[o] and stormwater drainage services. These are fixed charges, which you pay for each service you received over the billing period. Currently, the wastewater service charges customers pay are different depending on whether the customer is in the former Gosford or Wyong local government area.

CCC Water proposed to generally maintain the current types of prices, how they are structured and the basis for the charges, though it proposed to align wastewater prices across former Gosford and Wyong local government area customers. We have accepted CCC Water's proposal to largely maintain the current price structures and to align wastewater prices so that customers pay the same charges regardless of whether they are in the former Gosford or Wyong local government area.

As set out in our *Draft Information Paper – Operating and capital costs*, our review has found that CCC Water needs to spend more to maintain and improve water services. We consider price increases are necessary so that the community receives the water services it expects. Our draft decisions on costs and prices result in average price increases, with larger increases to service charges than usage charges.

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[m] Our draft decisions on CCC Water's costs are set out in our *Draft Information Paper – Operating and capital costs* and our *Draft Technical Paper – How we set the revenue level*.

[n] The wastewater usage charge for households is based on deemed discharge allowances (125 kL for houses and 80 kL for apartments). Our draft decisions on deemed discharge allowances are set out in our *Draft Technical Paper – Demand for water services*.

[o] The wastewater service charge is calculated with reference to a customer's water meter size and a discharge factor to account for the fact not all metered water is discharged into the wastewater system. For households this is a 20mm service and 75% discharge factor. For businesses the service charge is based on a 20mm equivalent and the discharge factor depends on the business. Our draft decisions on discharge factors are set out in our *Draft Technical Paper – Demand for water services*.

Average household price increases for CCC Water services under our draft decisions from 1 July 2022 and each year until 2025-26

Water

8% ↑

Usage charge

With no increase in subsequent years

109% ↑

Service charge

With a further 18% increase each year

Wastewater

12% ↑

Total charge

With a 2% increase each year

Stormwater

17% ↑

Service charge

With no increase in subsequent years

We recognise that for some customers, the price increases would be large and that the price and bill increases may lead to affordability concerns among the community.

In response to community feedback that people would prefer any necessary price increase to be phased in gradually over this period to help minimise bill impacts in any one year, we considered various options to gradually increase prices over the determination period. Under our draft decisions, we have set draft prices to increase gradually so that typical household bills would increase by 19% ($200) from $1.058 to $1,258 in the first year and then increase on average by 4% or $49 each year or 12% ($148) over the following 3 years to be $1,406 in the last year of the determination period.[p]

We considered affordability and the bill impacts for a range of customer groups in the Central Coast. We encourage CCC Water to consider how it can better target its assistance program to better help customers most in need. We also intend to recommend that the NSW government review pensioner concessions.

We also set draft prices for trade waste and miscellaneous services and specific customers including retirement villages, 2 WICA licensees (Narara Ecovillage and Solo Water at Catherine Hill Bay) and Hunter Water-Central Coast bulk water transfers. These draft prices are set out in our *Draft Technical Paper – Trade waste and other prices*.

The final prices we set for this review may change if interest rates change between our Draft Report and our Final Report. This is because interest rates affect how much income CCC Water needs to earn through prices.[q] A change of 0.5% in interest rates would lead to a change in the average bill for a typical household customer of about 4% or $58.

We set water prices to minimise impacts on customers that use a small amount of water

Our draft decisions on CCC Water's water usage and water service prices are set out in Table 1.

We accept CCC Water's proposed water usage price of $2.27/kL

CCC Water proposed a slight increase in the water usage price to $2.27/kilolitre (kL) (which is 8% higher than the current price), based on its estimate of the long-term cost of supplying water, also known as the long run marginal cost (LRMC) of water supply, and considering customers generally prefer a larger portion of their water bill to come from water usage charges than from service charges.

[p] These bill increases exclude inflation.

[q] Detailed information is available in our *Draft Technical Paper – How we set the revenue level*, in which we discuss the interest rate, also known as the Weighted Average Cost of Capital (WACC), we use to calculate CCC Water's return on its assets.

Our draft decision is to accept CCC Water's proposal and set the usage price at $2.27/kL, with reference to LRMC. This helps to ensure water prices enable customers that use less water to save more money and encourage CCC Water to adequately invest in its water supply infrastructure to meet the future needs of customers. It also prevents larger increases in water service charges, which would have greater impacts on customers that use smaller amounts of water (for example, households using less than 150 kL of water each year).

We have reviewed CCC Water's modelling and $2.27/kL estimate for the LRMC of water supply. We also used an alternative method to calculate the LRMC for CCC Water which we consider is likely to provide more stable and accurate estimates, is more resilient to modelling assumptions and helps avoid mismatches between costs and volumes of water produced. We identified some issues with how CCC Water estimated the LRMC, including that CCC Water's model considers the full costs of new capacity, but not the full benefits of the additional capacity, and ignores the benefit of spare capacity in the existing water supply system. We consider CCC Water's modelling leads to the LRMC being overestimated. Our alternate modelling suggests that CCC Water's LRMC of water supply is likely to be lower than CCC Water's estimate, at about $1.50/kL. However, CCC Water's estimates are comparable to recent LRMC estimates for Sydney Water and Hunter Water.

Like CCC Water's estimate, the estimates for Sydney Water and Hunter Water use a different method for calculating LRMC to our alternative method. We recognise that using an alternative method for calculating CCC Water's LRMC estimate and setting water usage prices is likely to have implications for LRMC estimates and water usage prices for Sydney Water and Hunter Water. As this is an issue relevant beyond CCC Water, we intend to consult on using our alternative method as part of a broader review of LRMC of water and wastewater supply, outside of this CCC Water review process.

Also, in response to our Issues Paper, some stakeholders raised concerns over the balance of water usage prices and fixed service prices, arguing that water usage prices should be increased, and service prices reduced to encourage water conservation and give customers greater control over their bill.

Under our draft decisions, the water service charge would see comparatively larger increases than water usage charges, doubling from 1 July 2022, driven by the increases in operating and capital costs. How this would affect your bill depends on whether you use a small amount of water or a large amount of water. If you are a relatively small user of water, a larger proportion of your bill would be made up of the fixed service charge. Higher fixed charges reflect that most of the higher costs CCC Water expects to incur are fixed and do not vary with the amount of water its customers use. If we were to reduce usage charges to better align with our estimate of LRMC, the resulting increase in service charges would be substantial (they would about triple from 1 July 2022), with water bills for customers that use small amounts of water and pensioners likely to be most affected.

We have therefore decided to accept CCC Water's proposal to increase the usage charge slightly to help customers that use less water to save more money and prevent even larger increases in water service charges.

Table 1 Draft decision on CCC Water's yearly water prices from 1 July 2022 to 30 June 2026 – shown without inflation

	Current	Proposed	Draft decision			
	2021-22	2022-23 to 2025-26	2022-23	2023-24	2024-25	2025-26
Usage price ($/kL)						
All customers	2.10	2.27	2.27	2.27	2.27	2.27
Yearly change		8%	8%	0%	0%	0%
Service price ($/year)						
Households	87.29	239.96	182.37	214.85	253.12	298.21
Yearly change		175%	109%	18%	18%	18%
Businesses						
20mm meter	87.29	239.96	182.37	214.85	253.12	298.21
Yearly change		175%	109%	18%	18%	18%
25mm meter	136.39	374.94	284.95	335.70	395.50	465.95
40mm meter	349.16	959.84	729.48	859.40	1,012.48	1,192.84
50mm meter	545.56	1,499.75	1,139.81	1,342.81	1,582.00	1,863.81
80mm meter	1,396.64	3,839.36	2,917.92	3,437.60	4,049.92	4,771.36
100mm meter	2,182.25	5,999.00	4,559.25	5,371.25	6,328.00	7,455.25
150mm meter	4,910.06	13,497.75	10,258.31	12,085.31	14,238.00	16,774.31

Note: Prices would also increase each year by 2.5% for inflation. Does not include retirement villages – prices for retirement villages can be found in our *Draft Technical Paper – Trade waste and other prices*. Meter based charge is based on 20mm meter, using the formula: (meter size)^2 x 20 mm meter service price/400.

Source: CCC Water pricing proposal to IPART, September 2021, pp 87-91 and IPART analysis.

We aligned wastewater prices across former Gosford and Wyong local government areas

Our draft decisions on CCC Water's wastewater usage and wastewater service prices are set out in Table 2 for household customers and Table 3 for business customers.

We accept CCC Water's proposed wastewater usage price of $0.94/kL

CCC Water proposed a slight increase in the wastewater usage price to $0.94/kL (which is 8% higher than the current price). This price has been proposed with reference to CCC Water's estimate of the short-term cost of supplying wastewater services (about $0.50/kL), also known as the short run marginal cost (SRMC) of wastewater service supply.

Our draft decision is to accept CCC Water's proposal and set the usage price at $0.94/kL, with reference to SRMC. We have reviewed CCC Water's modelling and estimates for the SRMC of wastewater service supply and consider these provides reasonable estimates that are comparable to recent estimates for Sydney Water and Hunter Water.

We note that while we set water usage prices with reference to LRMC, there are various arguments for and against using SRMC rather than LRMC pricing when setting wastewater usage prices. Setting these prices with reference to LRMC would signal the full cost of additional wastewater system capacity (including both the operating and capital costs over the longer term). This could improve price signals (and potentially encourage competition) and provide greater transparency around the avoided costs of recycled water schemes.

However, much of the investment made in wastewater infrastructure is due to the need to meet environmental standards rather than to increase capacity and is therefore not influenced significantly by changes in how much waste is discharged into the system. Household customer discharges are also unlikely to change in response to price changes, and the extent to which the need for additional capacity is driven by customer discharge – as opposed to the actual existence of a customer – is complex and unclear.

We accept CCC Water's proposal to align prices for Gosford and Wyong

Currently, how much you pay for receiving wastewater services depends on whether your home or business premises is within the former Gosford local government area or in the former Wyong local government area. If you are in the former Gosford area, you pay a slightly higher charge than those in the Wyong area (by about 7% for households and by at least 9% for businesses).

CCC Water has proposed to align wastewater services across former Gosford and Wyong local government areas and considers it has support from the community to do so. We consulted on CCC Water's proposal in our Issues Paper. Several people commented on the alignment of wastewater prices for former Gosford local government area and former Wyong local government area customers, with the majority of those who commented in support of aligning prices. In response to our Have Your Say survey, 74% of responders told us they think Gosford and Wyong customers should pay the same wastewater prices.

In response to our Issues Paper, the Public Interest Advisory Centre (PIAC) raised concern that the wastewater systems in Gosford and Wyong are not linked and may have different costs associated with them. We have investigated PIAC's concern and while the 2 areas do have somewhat different historic capital costs, they are more closely aligned than they are for water services.

Our draft decision is to accept CCC Water's proposal to align these charges, so Gosford and Wyong households and businesses pay the same amount for receiving wastewater services. Overall, our draft decision would lead to prices lower than those proposed by CCC Water. However, it would result in a proportionately higher increase in prices for Wyong customers compared to Gosford customers in the first year of the determination period (16% for Wyong compared to 7% for Gosford), given that Wyong prices are currently set lower than Gosford prices. For business customers, aligning the wastewater charges also requires us to align wastewater discharge factors, which impacts how much business customers pay.[r] This would put downward pressure on the aligned wastewater service charge, but upward pressure on bills for Gosford non-residential customers.

Table 2 Draft decision on CCC Water's yearly wastewater prices for household customers from 1 July 2022 to 30 June 2026 – shown without inflation

	Current	Proposed	Draft decision			
	2021-22	2022-23 to 2025-26	2022-23	2023-24	2024-25	2025-26
Wastewater prices ($/year)						
Houses – Gosford	525	620	563	574	584	595
Yearly change		18%	7%	2%	2%	2%
Houses – Wyong	488	620	563	574	584	595
Yearly change		27%	15%	2%	2%	2%
Apartments – Gosford	486	577	521	532	542	553
Yearly change		19%	7%	2%	2%	2%
Apartments – Wyong	449	577	521	532	542	553
Yearly change		28%	16%	2%	2%	2%

Note: Prices would also increase each year by 2.5% for inflation. A 75% discharge factor has been applied to all residential prices. These charges also include the deemed discharge component, which is: 150 kL per year for all residential properties; and 125 kL per year for houses and 80 kL per year for apartments.
Source: CCC Water, pricing proposal to IPART, September 2021, pp 90-92 and IPART analysis.

[r] More detailed information on our draft decisions relating to discharge factors is available in our *Draft Technical Paper – Demand for water services*.

Table 3 Draft decision on CCC Water's yearly wastewater prices for business customers from 1 July 2022 to 30 June 2026 – shown without inflation

	Current	Proposed	Draft decision			
	2021-22	2022-23 to 2025-26	2022-23	2023-24	2024-25	2025-26
Usage price ($/kL)						
All customers	0.87	0.94	0.94	0.94	0.94	0.94
Yearly change		8%	8%	0%	0%	0%
Service charge ($/year)		0.94	0.94	0.94	0.94	0.94
Former Gosford LGA		8%	8%	0%	0%	0%
20mm meter	555.03	669.49	594.65	608.45	622.58	637.03
Yearly change		21%	7%	2%	2%	2%
25mm meter	867.24	1,046.08	929.14	950.7	972.78	995.36
40mm meter	2,220.13	2,677.96	2,378.60	2,433.80	2,490.32	2,548.12
50mm meter	3,468.96	4,184.31	3,716.56	3,802.81	3,891.13	3,981.44
80mm meter	8,880.54	10,711.84	9,514.40	9,735.20	9,961.28	10,192.48
100mm meter	13,875.83	16,737.25	14,866.25	15,211.25	15,564.50	15,925.75
150mm meter	31,190.27	37,658.81	33,449.06	34,225.31	35,020.13	35,832.94
Former Wyong LGA						
20mm meter	506.50	669.49	594.65	608.45	622.58	637.03
Yearly change		32%	17%	2%	2%	2%
25mm meter	673.51	1,046.08	929.14	950.7	972.78	995.36
40mm meter	1,724.18	2,677.96	2,378.60	2,433.80	2,490.32	2,548.12
50mm meter	2,694.03	4,184.31	3,716.56	3,802.81	3,891.13	3,981.44
80mm meter	6,896.73	10,711.84	9,514.40	9,735.20	9,961.28	10,192.48
100mm meter	10,776.15	16,737.25	14,866.25	15,211.25	15,564.50	15,925.75
150mm meter	24,222.73	37,658.81	33,449.06	34,225.31	35,020.13	35,832.94

Note: Prices would also increase each year by 2.5% for inflation. All prices assume a discharge factor of 100%. CCC Water will apply each relevant customer's discharge factor on the prices it levies. For example, a discharge factor of 50% applied to the 40mm meter charge in Wyong in 2022-23 would result in a service charge of $1,169.38.
Source: Central Coast Council pricing proposal to IPART, September 2021, pp 90-92 and IPART analysis.

We set stormwater prices that would increase by 17%

Our draft decisions on CCC Water's stormwater drainage prices are set out in Table 4.

CCC Water proposed to substantially increase stormwater prices by 69%. Our draft decision is to set stormwater prices that increase by 17% in the first year of the 2022 determination period, and then increase by inflation only each year after that. While this increase is still relatively large, we consider that the price increase is necessary so that CCC Water can maintain, and update stormwater drainage works and ensure it meets its service standards.

Stormwater prices under our draft decision are substantially lower than those proposed by CCC Water. This is in large part due to our draft decision not to accept CCC Water's proposal to transfer $15.4 million in stormwater costs currently funded through local government rates to CCC Water. Our draft decisions relating to stormwater are also discussed in more detail in our *Draft Information Paper – Funding stormwater services* and our *Draft Information Paper – Operating and capital costs*.

After considering CCC Water's proposal and community feedback, we consider all stormwater drainage costs should be funded through the council's local government rates – not through the stormwater charges we set for CCC Water. In our view, this is appropriate because stormwater services provide benefits to the whole community – not just to the individuals who pay stormwater bills. They help people move around after heavy rain, for example, to go to the shops and do errands. Therefore, they should be funded through local government rates like other services that benefit the whole community – such as maintaining public parks and sportsgrounds and building roads and bridges.

We consulted with the community on the option of setting stormwater prices to $0 at some point during or after the 2022 determination period. We consider that this would make clear to the council to move all its stormwater costs to be funded by the local government rates fund. We made a draft decision to specify in our Draft Determination that if the 2022 Determination were to be extended beyond 30 June 2026, the stormwater charge would be set at $0 from 1 July 2026. This means that the council needs to move all stormwater costs from CCC Water to the local government fund before our next pricing review. We intend that this pricing review will be the last time we set stormwater charges. If this happens, customers may be charged a higher local government rate and/or separate stormwater levy.

Table 4 Draft decision on CCC Water yearly stormwater prices from 1 July 2022 to 30 June 2026 – shown without inflation

	Current 2021-22	Proposed 2022-23 to 2025-26	Draft decision 2022-23 to 2025-26	Change from current to draft decision (%)
Stormwater charge ($/year)				
Houses	108.00	182.94	126.70	17%
Apartments	81.00	137.20	95.03	17%
Farmland	108.00	182.94	126.70	17%
Vacant land	81.00	137.20	95.03	17%
Businesses				
Low impact	108.00	182.94	126.7	17%
Area based				
• Small (≤1,000m^2)	108.00	182.94	126.7	17%
• Medium (1,001 – 10,000m^2)	189.01	320.15	221.73	17%
• Large (10,001 – 45,000m^2)	891.02	1,509.27	1045.31	17%
• Very large (>45,000m^2)	2,700.09	4,573.57	3,167.61	17%

Note: Prices would also increase each year by 2.5% for inflation. For customers in a declared drainage area.
Source: CCC Water, pricing proposal to IPART, September 2021, pp 87-91 and IPART analysis.

We increased prices so typical bills rise by 19% in the first year and gradually over the following years

In consulting with the community, we asked if people would prefer any increase in prices to be applied in one go at the beginning of the 4-year determination period or phased-in more gradually over this period. Given the substantial increase, most people told us they would prefer it to be phased-in, as they believed this would allow customers to manage the bill impacts over the 2022 determination period.

We considered various options to gradually increase prices over the determination period or increase prices in one go in the first year. Under our draft decisions, we have set draft prices so that typical household bills would increase by 19% ($200) from $1.058 to $1,258 in the first year and then increase on average by 4% or $49 each year or 12% ($148) over the following 3 years to be $1,406 in the last year.[s] Figure 1 compares bills under our draft prices with bills under CCC Water's proposal.

Figure 1 Typical household bills would rise by 19% and then gradually by 4% each year

Note: Price increases exclude inflation.
Source: IPART analysis.

We have, however, set stormwater prices such that they rise in the first year and remain flat across the years. If we set stormwater prices to rise gradually, bills would be the highest in the last year of the determination period which would allow CCC Water to earn more than it needs in the final year to compensate for earning less that it needed in the earlier years of the determination. We consider this would be out of step with our intention to make clear to the council that we do not intend to set stormwater charges for CCC Water in the next determination.

Table 5 shows the bill impacts of the options we considered for setting prices over the 4 years.

[s] These bill increases exclude inflation.

Table 5 Typical bills under various pricing options

Pricing option	Current 2021-22 $2021-22	2022-23 $2022-23	2023-24	2024-25	2025-26
CCC Water's proposed prices	1,058	1,428	1,428	1,428	1,428
$ increase		370	-	-	-
% increase		35%	0%	0%	0%
Immediate full price increase	1,058	1,327	1,327	1,327	1,327
$ increase		269	-	-	-
% increase		25%	0%	0%	0%
Gradual price increase	1,058	1,190	1,265	1,366	1,502
$ increase		131	76	101	136
% increase		12%	6%	8%	10%
Our draft decision – Initial step and gradual price increase	1,058	1,258	1,301	1,350	1,406
$ increase		200	43	49	56
% increase		19%	3%	4%	4%

Note. Stormwater prices are set to increase in the first year and remain flat from 2022-23 to 2025-26.

We found that if we were to completely phase-in the price increase, current bills would increase by around 9% on average each year over the 4 years. While the increase in the first year of the determination period is lower under a phased-in increase (12% between 2021-22 and 2022-23), the bill in the last year would be around $1502, which would also be around $96 or 7% greater than the bill in the last year under our draft decision. We consider the bill impacts in this year to be high.

A lower bill in the first year of determination, under this option, may not allow CCC Water to cover the costs it needs to deliver services and this could lead to lower service levels in this year. Towards the end of the determination period, the gradual increase would lead to higher bills from higher prices to allow CCC Water to recover more than it would need, to compensate it for lower income in the earlier part of the determination period.

We have instead decided to introduce an increase to prices with a higher increase in the first year and a lower increase over the following 3 years. We have set prices to increase in 2022-23 to half-way between what the price would be if the total price increase over the period was applied in one go in that year and what the price would be if the total increase was spread evenly across all 4 years of the determination period. This would be to ensure that CCC Water could recover more of its costs in the first year to ensure acceptable water services.

Given our draft decisions, we would like to know what you think about how we introduce the price increase. For example, if you would prefer to pay for the full increase of 25% ($269) in the first year and pay an increase of only inflation for the following 3 years.

$1,258

Your bill from 1 July 2022 under our draft decision

Increasing to $1,406 from 1 July 2025

$1,327

Your yearly bill under an immediate full price increase from 1 July 2022 to 30 June 2026

Note: This excludes impacts of inflation.

Household bill impacts for a range of households[t] under our draft decisions are set out below in Table 6, Table 7, Table 8 and Table 9 below show that:

Household water, wastewater and stormwater bills would increase on average:

- slightly more for households living in an apartment at 21% compared with households living in a house at 19% in the first year of the determination period.
- slightly less for customers that use large amounts of water, 17%, compared with customers that use small amounts of water, 19%, in the first year of the determination period.
- for pensioner households by 25% for a couple household and by 27% for a single household. This is higher than the 17% on average increase for a typical household. Pensioner bills would also increase by 5% on average each year for the following 3 years, showing greater bill impacts for pensioners.

Household water bills increase on average:

- more for households living in an apartment at 37% compared with households living in a house at 28% in the first year of the determination.
- less for customers that use large amounts of water, 23%, compared with customers that use small amounts of water, 30% in the first year of the determination.
- much higher for pensioner households than typical households, by 49% for a couple household and by 64% for a single household. Single pensioner household bills would also increase by 12% on average each year for the following 3 years, showing greater bill impacts for pensioners.

[t] Pensioner household bills include the pensioner concession of $87.50 for water bills and $87.50 for wastewater bills.

Household wastewater bills would increase on average:

- more in the first year of the determination period, for households living in the former Wyong local government area, by 16% compared to 7% for households living in the former Gosford local government area, regardless of whether they use small or large amounts of water.
- more for pensioner households, by 19% for those living the former Wyong local government area and by 9% for those living in the former Gosford local government area.
- 2% on average each year for the following 3 years for all customer types.

Stormwater bills would increase by 17% across all customers.

Table 6 Household water, wastewater and stormwater bills – shown without inflation

	Current	CCC Water proposed	Draft Decision			
	2021-22	2022-23	2022-23	2023-24	2024-25	2025-26
	$2021-22	$2022-23	$2022-23			
House 170 kL						
Gosford	1,076.52	1,428.42	1,258.46	1,301.29	1,350.16	1,406.08
Yearly change		33%	17%	3%	4%	4%
Wyong	1,040.12	1,428.42	1,258.46	1,301.29	1,350.16	1,406.08
Yearly change		37%	21%	3%	4%	4%
Apartment 105 kL						
Gosford	874.16	1,192.83	1,036.94	1,079.77	1,128.64	1,184.56
Yearly change		36%	19%	4%	5%	5%
Wyong	837.76	1,192.83	1,036.94	1,079.77	1,128.64	1,184.56
Yearly change		42%	24%	4%	5%	5%
Large user 250 kL						
Gosford	1,244.27	1,610.02	1,440.06	1,482.89	1,531.76	1,587.68
Yearly change		29%	16%	3%	3%	4%
Wyong	1,207.88	1,610.02	1,440.06	1,482.89	1,531.76	1,587.68
Yearly change		33%	19%	3%	3%	4%
Small user 150 kL						
Gosford	1,034.58	1,383.02	1,213.06	1,255.89	1,304.76	1,360.68
Yearly change		34%	17%	4%	4%	4%
Wyong	998.18	1,383.02	1,213.06	1,255.89	1,304.76	1,360.68
Yearly change		39%	22%	4%	4%	4%
Pensioner couple 112 kL						
Gosford	779.89	1,121.76	951.80	994.63	1,043.50	1,099.42
Yearly change		44%	22%	4%	5%	5%
Wyong	743.49	1,121.76	951.80	994.63	1,043.50	1,099.42
Yearly change		51%	28%	4%	5%	5%
Pensioner single 81 kL						
Gosford	714.88	1,051.39	881.43	924.26	973.13	1,029.05
Yearly change		47%	23%	5%	5%	6%
Wyong	678.49	1,051.39	881.43	924.26	973.13	1,029.05
Yearly change		55%	30%	5%	5%	6%

Table 7 Household water bills – shown without inflation

	Current 2021-22 $2021-22	CCC Water proposed 2022-23 $2022-23	Draft Decision 2022-23 $2022-23	2023-24	2024-25	2025-26
House – 170 kL						
Service bill	87	240	182	215	253	298
Usage bill	356	386	386	386	386	386
Total	444	626	568	601	639	684
Yearly change		41%	28%	6%	6%	7%
Apartment – 105 kL						
Service bill	87	240	182	215	253	298
Usage bill	220	238	238	238	238	238
Total	307	478	421	453	491	537
Yearly change		56%	37%	8%	8%	9%
Large user – 250 kL						
Service bill	87	240	182	215	253	298
Usage bill	524	568	568	568	568	568
Total	612	807	750	782	821	866
Yearly change		32%	23%	4%	5%	5%
Small user – 150 kL						
Service bill	87	240	182	215	253	298
Usage bill	315	341	341	341	341	341
Total	402	580	523	555	594	639
Yearly change		44%	30%	6%	7%	8%
Pensioner couple – 112 kL						
Service bill	44	152	95	127	166	211
Usage bill	191	254	254	254	254	254
Total	235	407	349	382	420	465
Yearly change		73%	49%	9%	10%	11%
Pensioner single – 81 kL						
Service bill	44	152	95	127	166	211
Usage bill	126	184	184	184	184	184
Total	170	336	279	311	349	395
Yearly change)		98%	64%	12%	12%	13%

Table 8 Household wastewater bills – shown without inflation

	Current	CCC Water proposed	Draft decision			
	2021-22	2022-23	2022-23	2023-24	2024-25	2025-26
	$2021-22	$2022-23	$2022-23			
House – Gosford 170 kL						
Service bill	416	502	446	456	467	478
Usage bill	108	118	118	118	118	118
Total	525	620	563	574	584	595
Yearly change		18%	7%	2%	2%	2%
House – Wyong 170 kL						
Service bill	380	502	446	456	467	478
Usage bill	108	118	118	118	118	118
Total	488	620	563	574	584	595
Yearly change		27%	15%	2%	2%	2%
Apartment – Gosford 105 kL						
Service bill	416	502	446	456	467	478
Usage bill	69	75	75	75	75	75
Total	486	577	521	532	542	553
Yearly change		19%	7%	2%	2%	2%
Apartment – Wyong 105 kL						
Service bill	380	502	446	456	467	478
Usage bill	69	75	75	75	75	75
Total	449	577	521	532	542	553
Yearly change		28%	16%	2%	2%	2%
Large user – Gosford 250 kL						
Service bill	416	502	446	456	467	478
Usage bill	108	118	118	118	118	118
Total	525	620	563	574	584	595
Yearly change		18%	7%	2%	2%	2%
Large user – Wyong 250 kL						
Service bill	380	502	446	456	467	478
Usage bill	108	118	118	118	118	118
Total	488	620	563	574	584	595
Yearly change		27%	15%	2%	2%	2%
Small user – Gosford 150 kL						
Service bill	416	502	446	456	467	478
Usage bill	108	118	118	118	118	118
Total	525	620	563	574	584	595
Yearly change		18%	7%	2%	2%	2%
Small user – Wyong 150 kL						
Service bill	380	502	446	456	467	478
Usage bill	108	118	118	118	118	118

	Current	CCC Water proposed	Draft decision			
	2021-22	2022-23	2022-23	2023-24	2024-25	2025-26
	$2021-22	$2022-23	$2022-23			
Total	488	620	563	574	584	595
Yearly change		27%	15%	2%	2%	2%
Pensioner couple – Gosford 112 kL						
Service bill	329	415	358	369	379	390
Usage bill	108	118	118	118	118	118
Total	437	532	476	486	497	508
Yearly change		22%	9%	2%	2%	2%
Pensioner couple – Wyong 112 kL						
Service bill	292	415	358	369	379	390
Usage bill	108	118	118	118	118	118
Total	401	532	476	486	497	508
Yearly change		33%	19%	2%	2%	2%
Pensioner single – Gosford 81 kL						
Service bill	329	415	358	369	379	390
Usage bill	108	118	118	118	118	118
Total	437	532	476	486	497	508
Yearly change		22%	9%	2%	2%	2%
Pensioner single – Wyong 81 kL						
Service bill	292	415	358	369	379	390
Usage bill	108	118	118	118	118	118
Total	401	532	476	486	497	508
Yearly change		33%	19%	2%	2%	2%

Table 9 Typical stormwater bills for all customers – shown without inflation

	Current 2021-22 $2021-22	CCC Water proposed 2022-23 – 2025-26 $2022-23	Draft Decision 2022-23 – 2025-26 $2022-23	Change from current to proposed	Change from current to draft
Residential ($/year)					
Houses	108	183	127	69%	17%
Apartments	81	137	95	69%	17%
Farmland ($/year)					
All customers	108	183	127	69%	17%
Non-residential					
Low-impact	108	183	127	69%	17%
Area-based:					
• Small (≤1,000m^2)	108	183	127	69%	17%
• Medium (1,001 – 10,000m^2)	189	320	222	69%	17%
• Large (10,001 – 45,000m^2)	891	1,509	1,045	69%	17%
• Very large (>45,000m^2)	2,700	4,574	3,168	69%	17%
Vacant land ($/year)					
All customers	81	137	95	69%	17%

Business customers would also see similar increases in prices and bills

Our draft prices mean that prices for businesses would rise by around the same percentage as prices for households. However, the impact on bills for business customers may vary. The impact on your bill as a business owner would depend on, for example, the type and size of your business, how much water your business uses and how much wastewater it discharges, the size of your water meter, whether the business is located in Gosford or Wyong, and the size of your property. Table 10 presents examples of business customer bills.

Our draft pricing decisions on trade waste and miscellaneous charges, and for specific customers such as retirement villages are available in our *Draft Technical Paper – Trade waste and other prices*.

Table 10 Business customer bill increases vary across different water users – shown without inflation

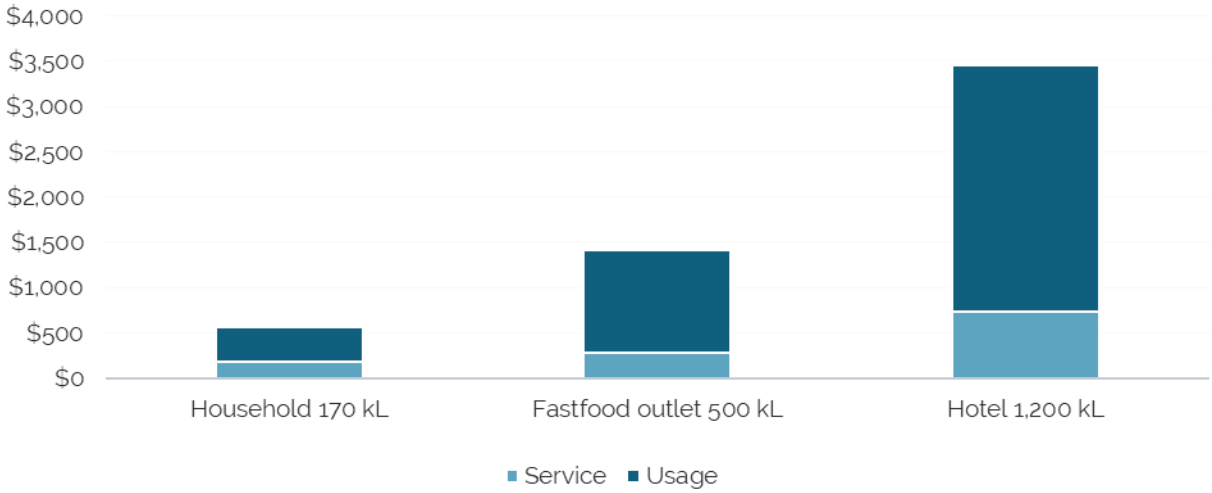
	Current	CCC Water proposed	Draft Decision			
	2021-22	2022-23	2022-23	2023-24	2024-25	2025-26
	$2021-22	$2022-23	$2022-23			
Medium – fast food outlet[a]						
Water usage	1,048	1,135	1,135	1,135	1,135	1,135
Water service	136	375	285	336	396	466
Wastewater usage	369	400	400	400	400	400
Wastewater service	737	889	790	808	827	846
Stormwater	108	183	127	127	127	127
Total bill	2,399	2,982	2,736	2,805	2,884	2,973
Yearly change		24%	14%	3%	3%	3%
Medium – licensed hotel[b]						
Water usage	2,516	2,724	2,724	2,724	2,724	2,724
Water service	349	960	729	859	1,012	1,193
Wastewater usage	885	959	959	959	959	959
Wastewater service	1,887	2,276	2,022	2,069	2,117	2,166
Stormwater	189	320	222	222	222	222
Total bill	5,827	7,239	6,656	6,833	7,034	7,263
Yearly change		24%	14%	3%	3%	3%
Large – regional shopping centre[c]						
Water usage	213,893	231,540	231,540	231,540	231,540	231,540
Water service	1,746	4,799	3,647	4,297	5,062	5,964
Wastewater usage	75,231	81,498	81,498	81,498	81,498	81,498
Wastewater service	9,436	11,381	10,109	10,344	10,584	10,830
Stormwater	2,700	4,574	3,168	3,168	3,168	3,168
Total bill	303,006	333,792	329,962	330,846	331,852	332,999
Yearly change		10%	9%	0.3%	0.3%	0.3%

a. 500 kL, 25 mm meter, 85% discharge factor (Gosford)
b. 1,200 kL, 40 mm meter, 85% discharge factor (Gosford)
c. 102,000 kL, multiple meters, 85% discharge factor (Gosford)

Customers that use large amounts of water would save more money by using less water

Under our draft decisions, there are much larger increases to service charges than usage charges. How this would affect your bill depends on whether you use a small amount of water or a large amount of water. If you use a relatively small amount of water, for example, less than 150 kL of water each year, a very large proportion of your bill would be due to the fixed service charge, regardless of whether you change the amount of water you use.

Figure 2 Water bills are made up of usage and services charges



Note: Indicative water bills for users of different amounts of water.
Source: IPART analysis

We considered affordability concerns in the Central Coast

In response to community concerns raised in feedback to our Issues Paper, we carefully considered affordability and the bill impacts for a range of customer groups in the Central Coast.

Our review has found that CCC Water needs to spend more to maintain and improve water services. We consider our price increases are necessary so that the community receives the water services it expects. However, we understand the price increases are large and that the price and bill increases may lead to affordability concerns among the community. To help customers with paying their bills, CCC Water provides assistance such as payment plans, and rebates concessions for pensioners. We encourage CCC Water to consider how it can better target its assistance program to better help customers in need. We also intend to recommend that the NSW Government review pensioner concessions.

We recognise socio-economic outcomes vary across the Central Coast

While Central Coast households fall into the top 40% of socio-economic advantage, socio-economic circumstances vary greatly across the Central Coast.[u,5] For example, while Central Coast areas Holgate, Matcham and Erina Heights ranked within the top 10% of communities with least disadvantage, Wyong ranked in the top 10% of communities with the highest disadvantage.[6] In addition, as of December 2021, 13.1% of Wyong's population received JobSeeker and youth allowance payments (compared with 5.8% of NSW's population).[v,7]

[u] This is according to the SEIFA (Socio-Economic Index for Areas) which measures both socio-economic advantage and disadvantage. Central Coast Council area ranked 86th out of 130 local government areas (LGAs) on the Index of Relative Socio-economic Advantage and Disadvantage, where the 130th LGA has the least disadvantage.

[v] Population refers to those aged 15 to 64.

We also recognise that there is a high number of pensioners and low socio-economic customers living in the Central Coast. Based on data from the Department of Social Services from 2021, of the estimated resident population of Central Coast:

- 13.9% receive the age pension[w]
- 3.7% receive the disability support pension
- 22.7% have the pension concession card.

In 2016, about 29.1% of Central Coast households were within the lowest household income quartile group comprising the largest income group in the Central Coast.[8]

We considered the bill impacts for a range of customers

Under our draft prices, over the 4-year determination period bills would comprise on average:

- 1.8% of yearly median income for a household with a house and 1.5% of yearly median income for a household with an apartment.
- At least 2.8% of yearly household income for low-income groups.
- At most 1% of yearly household income for higher income groups.
- 3.1% of yearly income for a pensioner couple household (only receiving the pension), reduced to 2.6% with a rebate.
- 4.4% of yearly income for a pensioner single household (only receiving the pension), reduced to 3.7% with a rebate.
- At least 3.2% of yearly income for a large family (2 adults and 4 children) with a low income and at most 1% with a high income.

[w] Based on the latest census data from 2016, 27.1% of the Central Coast population was aged over 60, reflecting a higher percentage of those aged over 60 than Greater Sydney (19%), including other neighbouring LGAs. This may contribute to a higher proportion of those on the age pension. We note however that CCC Water includes in its scope for pensioners other groups that hold concession cards that are not necessarily age pension recipients, e.g. disability pension recipients.

Table 11 Bill impacts across different households ($2022-23)

Household	Usage (kL)	Water, wastewater and stormwater bill under draft prices (2022-23) ($)	Water, wastewater and stormwater bill under draft prices (2025-26) ($)	Change current bills to draft bills[a] (2022-23)	Yearly income[b] ($)	Proportion of bill under draft prices to income[c]
Typical House	170	1,258	1,406	19%	74,142	1.8%
Typical Apartment	105	1,037	1,185	21%	74,142	1.5%
Low income	134	1,177	1,324	20%	44,772	2.8%
Lower middle income	158	1,231	1,379	19%	66,621	2.0%
Higher middle income	199	1,324	1,472	18%	120,467	1.2%
High income	215	1,361	1,508	18%	152,523	0.9%
Pensioner couple household without rebate[d]	112	1,126	1,274	20%	39,023	3.1%
Pensioner couple household with rebate[d]	112	951	1,099	25%	39,023	2.6%
Pensioner single household without rebate[d]	81	1,056	1,204	21%	25,884	4.4%
Pensioner single household with rebate[d]	81	881	1,029	27%	25,884	3.7%
Large family – low income[e]	215	1,360	1,508	18%	44,772	3.2%
Large family – high income[e]	215	1,360	1,508	18%	152,523	0.9%

a. The percentage change from the current bills to bills under draft prices is based on the average of bills for households in the former Gosford local government area and those in the former Wyong local government area.
b. Yearly household income for lower middle and higher middle incomes were estimated based on the midpoint of the lower and upper ranges of each band. Yearly income for low income households was estimated from the upper range of the low-income band while yearly income for high income households were estimated from the lower range of the higher income band.
c. Average proportion of bills to income over the 4-year determination period.
d. For the yearly income of a pensioner, we have used the normal aged pension rates as a proxy for a pensioner household's income.
e. A large family has 2 adults and 4 children.

Source: IPART analysis, IPART, *2015 Household survey of electricity, gas and water usage*, 2016, Profile id Central Coast, 2021 accessed 7 December 2021, Services Australia, Aged Pension, December 2021 accessed 10 November 2021, Services Australia, Disability Pension, January 2022, accessed 7 February 2022.

We recognise the impact on pensioner households

We recognise our draft price increases could be a concern for single pensioner households and low-income groups especially those with large families. This is because under our draft prices, pensioner bills could comprise around 3% of income or higher.

A single pensioner household bill with a concession would increase by 51% on average under CCC Water's proposed prices in 2022-23. However, under our draft prices, a single pensioner household bill would increase by 23% ($167) in Gosford and by 30% ($203) in Wyong and then by 5% from 2023-24 to 2025-26.

Pensioner concessions for water and wastewater services are available for Central Coast pensioners under the *Local Government Act 1993* (section 575) and equate to a maximum of $175 each year. CCC Water provides pensioners with a reduction of 50% of the water supply service and water usage charge levied up to a maximum of $87.50 per year and reduction of 50% of wastewater service and wastewater usage charges, similarly up to a maximum of $87.50 per year.[9]

Under our draft prices, the total concession would cover the water and wastewater service charge portions of the pensioners' bill. These concessions would be subsidised by all CCC Water customers through their water and wastewater prices.[x]

The current rebate would lower a typical pensioner's bill under our draft prices by 17%. We consider that this reduction however is modest and that pensioners may still face difficulties affording their bills. Given this, we intend to make a recommendation that the NSW Government reviews whether the current pensioner concessions for water and wastewater services are appropriate. Unlike pensioner concessions for Sydney Water and Hunter Water customers, CCC Water's pensioner concessions for water and wastewater services have not changed or been indexed (i.e. have not risen with inflation) since they were introduced in 1993. We estimate that if these concessions were indexed, they would be around $345 today.

Table 12 Impact of a pensioner concession on our draft bills

	Current 2021-22	2022-23	2023-24	2024-25	2025-26
	$2021-22	$2022-23			
Water service bill	87.29	182.37	214.85	253.12	298.21
Pensioner concession	43.64	87.50	87.50	87.50	87.50
Water usage bill	169.86	183.87	183.87	183.87	183.87
Pensioner concession	43.86	0.00	0.00	0.00	0.00
Total water bill	169.64	278.74	311.22	349.49	394.58
Wastewater bill	506.54	563.49	573.84	584.44	595.27
Pensioner concession	87.50	87.50	87.50	87.50	87.50
Total wastewater bill	419.04	475.99	486.34	496.94	507.77
Stormwater bill	108.00	126.70	126.70	126.70	126.70
Total water, wastewater and stormwater bill	696.68	881.43	924.26	973.13	1029.05
Yearly increase		27%	5%	5%	6%

Note. Based on a single pensioner household with a usage of 81 kilolitres per year. The current pensioner wastewater bill is an average of Gosford and Wyong pensioner wastewater bills.

[x] Detailed information is available in our *Draft Technical Paper – How we set the revenue level.*

We considered the potential impacts on renters

While renters may pay water usage bills,[y] there was concern that landowners would pass on the costs of higher water prices through higher rents. For a typical house and a typical apartment, water usage bills are expected to increase by 8%. If the increase in water service charges from 1 July 2022 were added to rent, yearly rent would increase by around $4 or 1% more per week. If all service charge increases from 1 July 2022 (i.e. including water, wastewater and stormwater) were added to rent, yearly rent would increase by 3% or almost $15 more per week.

Table 13 Impacts on rent if service charges were passed to customers ($2022-23)

	Median rent	Median rent with water service charge	Median rent with water service, wastewater and stormwater charges
Weekly ($)	469.63	473.13	484.15
Difference ($)		3.51	14.52
Yearly ($)	24,420.50	24,602.87	25,175.56
Difference (%)		1	3

Source: IPART analysis, Economy.id Central Coast – Rental Listings, 2021, accessed 8 December 2021.

Typical bills would be more comparable to similar water businesses

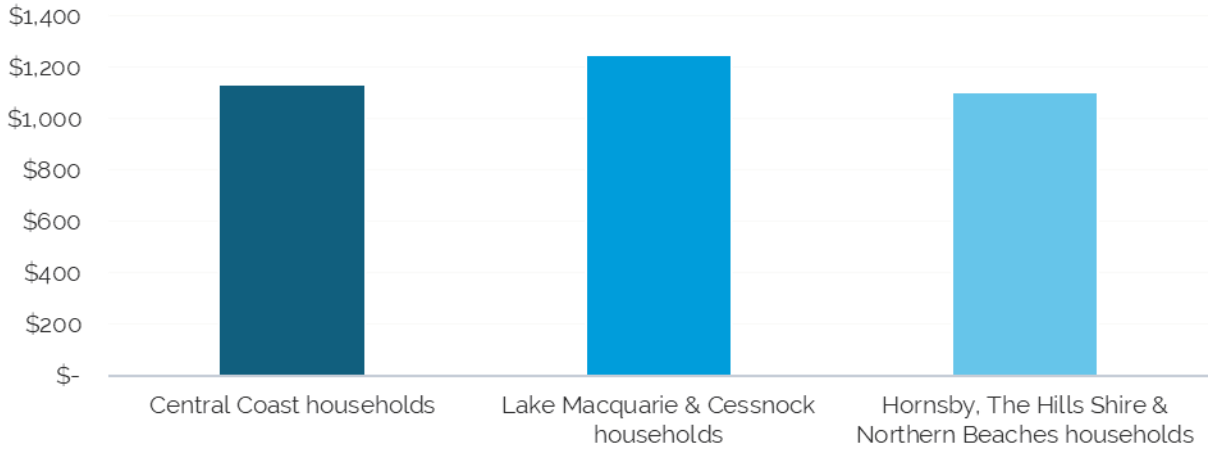
We compared typical water and wastewater bills across NSW and Australia. In 2019-20, a typical CCC Water household customer paid a water and wastewater bill that was the lowest bill compared with what other typical households paid across NSW serviced by other utilities and across Australia serviced by other comparable utilities.[10]

Figure 3 shows however, that under our draft prices typical CCC Water households would pay bills lower than those of Hunter Water and higher than those of Sydney Water. Under our draft prices, typical CCC Water household customers would pay a bill in 2022-23, that is 9% lower than what customers in Lake Macquarie and Cessnock (serviced by Hunter Water) would pay and 3% higher than what customers in Hornsby, The Hills Shire and Northern Beaches (serviced by Sydney Water) would pay.[z]

[y] Renters who live in a property with a standalone meter (generally, a freestanding house or a newer apartment) and, if the property meets water efficiency standards, may be asked by their landlord to pay for the water that they consume. For more information, please see: https://www.fairtrading.nsw.gov.au/housingandproperty/renting/during-a-tenancy/Water,-electricity-and-gas-in-rental-properties; *Residential Tenancies Act 2010 (NSW) s 39*.

[z] In 2023-24, a typical CCC Water household customer bill would rise to be 6% less than what a Hunter Water household customer bill would be and 7% more than what a Sydney Water household customer bill would be. This increase in 2023-24 excludes inflation. Hunter Water and Sydney Water's price determinations end 30 June 2024.

Figure 3 Your typical bill under our draft prices vs bills in neighbouring council areas



Note: Based on water and wastewater services (excludes stormwater services) and compares what bills would be in 2022-23 based on a typical usage of 170 kL for CCC Water household customers, 189 kL for Hunter Water household customers, 200 kL for Sydney Water household customers. If all CCC Water, Hunter Water and Sydney Water household customers used 200 kL a year, in 2022-23, CCC Water household customers would pay a bill that is 6% lower than what Hunter Water household customers would pay and 9% higher than what Sydney Water household customers would pay. In 2023-24, CCC Water household customer bills would be 3% lower than Hunter Water household customer bills and 13% higher than Sydney Water household customer bills. This increase in 2023-24 excludes inflation.
Source: IPART analysis

Under our draft prices, a typical CCC Water household customer would pay a bill that would be the third lowest compared with other water and wastewater utilities in NSW[aa] and the fifth lowest compared with other major utilities in Australia (see Figure 4).[11]

Figure 4 CCC Water typical bills would be the 5th lowest compared with other major Australian water businesses

Note: Based on water and wastewater services (excludes stormwater services). Compares CCC Water typical water and wastewater bills with other major water utilities in Australia for 2022-23.
Source: Bureau of Meteorology (BOM), 2022, National performance report 2020-21 urban water utilities, Complete dataset 2020-21 and IPART analysis.

[aa] Compares CCC Water typical bills with Hunter Water, Sydney Water, 77 local water utilities and 12 council areas with water provided by a county council.

[1] IPART analysis, NSW Department of Planning and Environment (DPE) *Local Water Utilities (LWUs) performance monitoring data and reports (2019-20),* 2021, Bureau of Meteorology (BOM), *National performance report 2020-21: urban water utilities, Complete dataset 2020-21,* Bureau of Meteorology (BOM), *National performance report 2019-20: urban water utilities, Complete dataset 2019-20.*

[2] CCC Water, pricing proposal to IPART, September 2021, p 17.

[3] IPART, Review of Central Coast Council's water, sewerage and stormwater prices, May 2019, p 25 & p 30.

[4] Public Interest Advocacy Centre (PIAC), Submission to IPART Issues Paper, 2 November 2021, p 5.

[5] Australian Bureau of Statistics (ABS), SEIFA 2016 by Local Government Area dataset, accessed 28 January 2022.

[6] Profile.id, Central Coast Council area, SEIFA by profile area, accessed 6 September 2021.

[7] Profile.id, Central Coast Council area JobSeeker and Youth Allowance recipients, accessed 28 January 2022.

[8] Profile.id, Central Coast Council area, Household income quartile, accessed 10 November 2021

[9] CCC Water, pricing proposal to IPART, September 2021, p 89.

[10] IPART analysis, NSW Department of Planning, Industry and Environment (DPIE) *Local Water Utilities (LWUs) performance monitoring data and reports (2019-20),* 2021, Bureau of Meteorology (BOM), *National performance report 2019-20: urban water utilities, Complete dataset 2019-20.*

[11] IPART analysis, NSW Department of Planning, Industry and Environment (DPIE) *Local Water Utilities (LWUs) performance monitoring data and reports (2019-20),* 2021, Bureau of Meteorology (BOM), *National performance report 2019-20: urban water utilities, Complete dataset 2020-21.,* 2021.