



Review of Central Coast Council water prices – Trade waste and other prices

## Draft Technical Paper

March 2022

Water »



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## Tribunal Members

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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 We generally do not publish sensitive information.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.

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# 1 Our draft decision is to largely accept CCC Water's proposed trade waste and other prices

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.<sup>a</sup> 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 and levies and other charges.<sup>b</sup>

We consider our draft prices would allow CCC Water to deliver good quality water and improve services to the community – now and in the future. This draft technical paper focuses on trade waste and other prices.

In addition to setting water, wastewater and stormwater prices, we set three other types of prices CCC Water can levy on its customers. These include:

- **Liquid trade waste prices** for commercial and industrial customers
- **Miscellaneous and ancillary prices** for other services that CCC Water provides as a water supply authority, such as water service connection and disconnection fees
- **Prices set for specific customers** including retirement villages, *Water Industry Competition Act 2006 (NSW)* (WICA) licensees and Hunter Water-Central Coast bulk water transfers.

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<sup>a</sup> 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](#).

<sup>b</sup> IPART can also review the council's income from rates, but this is a separate review through the special variation process.

We have considered and reviewed CCC Water's proposals for these prices. We have also considered the advice of our specialist consultants Frontier Economics and Mott MacDonald (Frontier), who we engaged to review the efficient costs of providing the services for which the trade waste and miscellaneous prices apply.

We made draft decisions to largely accept CCC Water's proposed prices for trade waste, miscellaneous services and specific customers. However, we made material adjustments to a small number of prices, including to make some proposed prices more cost-reflective, in line with our consultants' advice.

This Draft Technical Paper explains:

- Our draft decisions on trade waste prices including to:
  - accept CCC Water's proposed fixed and volumetric trade waste prices
  - accept CCC Water's revised proposed list of substances, parameters and prices for excess mass liquid trade waste discharge.
- Our draft decisions on miscellaneous prices, including to:
  - reject some of CCC Water's proposed increases to miscellaneous prices on the basis that the proposed prices are not cost-reflective
  - to set the standpipe hire price to be in line with the corresponding water service price
  - to increase by CPI only, the miscellaneous prices that are not in line with other benchmark water utilities
  - accept CCC Water's proposed inclusion of new miscellaneous prices
  - accept CCC Water's proposed removal of miscellaneous prices.
- Our draft decisions to maintain current pricing arrangements for specific customers including:
  - retirement villages
  - WICA licensees (Solo Water (Catherine Hill Bay) and Narara Ecovillage)
  - Hunter Water-Central Coast bulk water transfers.

## 2 We accepted CCC Water's proposed trade waste prices

Our draft decisions are:

- 31. To accept CCC Water's proposed fixed trade waste prices as listed in Table 2.1 in our *Draft Technical Paper – Trade waste and other prices*.
- 32. To accept CCC Water's proposed compliant and non-compliant usage prices as listed in Table 2.2 in our *Draft Technical Paper – Trade waste and other prices*.
- 33. To accept CCC Water's updated list of mass-based prices for category 3 customers as listed in Table 2.3 in our *Draft Technical Paper – Trade waste and other prices*.

Trade waste is any liquid waste other than wastewater of a domestic nature. Residential premises do not pay trade waste charges, but some businesses do. Some trade waste discharge places greater demands on the wastewater system and has higher costs of monitoring, compliance and treatment than domestic strength wastewater. If trade waste is not managed, it could pose problems for the wastewater system, as well as to public health and the environment. CCC Water has approximately 1,218 liquid trade waste customers.<sup>1</sup>

Customers are placed into one of 4 pricing categories depending on their type of waste and the level of impact it imposes on the wastewater system.

### Box 1 CCC Water's trade waste customer categories

**Category 1:** activities requiring nil or minimal pre-treatment equipment where effluent is well defined (e.g. cakes and bakeries). Low risk.

**Category 2:** activities requiring prescribed pre-treatment equipment where effluent is well characterised (e.g. large retail outlets, restaurants, large pubs, shopping centres, mechanical workshops). Medium risk.

**Category 3:** activities of an industrial nature, where large volumes of Liquid Trade Waste (over 20kg per day) are discharged to the wastewater system (e.g. food manufacturing, metal processing, oil refinery, chemical production). High risk.

**Category S:** liquid trade waste discharge directly to the treatment plant via a tanker (e.g. septic systems, commercial wastewater, portable toilet waste). High risk.

Source: CCC Water, Pricing proposal to IPART - Technical Paper 9 – Pricing of other services, September 2021, p 5.

Several different prices are levied for the various trade waste services CCC Water provides these customers. There are:

- **Fixed prices**, which are application fees, annual trade waste fees and re-inspection fees and apply to all categories.
- **Volume-based prices**, which reflect the additional cost (over and above wastewater prices) of treating larger discharges of trade waste and apply to Categories 2 and S only, and
- **Mass-based prices**, which reflect the additional costs of treating specific contaminants which fall within the approval limit set for that substance (Category 3 only).

## 2.1 We accepted CCC Water's proposal to increase fixed trade waste prices

CCC Water proposed increasing fixed prices compared to the 2019 Determination. Proposed application fee prices for 2022-23 will increase by 17-34% (excluding Category S charges) and proposed annual fees will increase by between 17-40%.<sup>2</sup>

CCC Water has revised its methodology used to calculate fixed prices from the previous pricing determination and has sought to align its proposed prices with IPART's pricing principles of full cost recovery for services provided. These prices include the costs of direct labour, transport, equipment and overheads, whereas it had previously sought to recover direct labour costs only.

Frontier has reviewed the inputs that CCC Water used to arrive at its proposed fixed trade waste prices (excluding re-inspection prices). In its report, Frontier noted that the proposed fixed trade waste prices appear to be driven by a move towards cost-reflective pricing and that they are broadly in line with charges levied by comparable water utilities, such as Lockhart Shire Council and Upper Hunter Shire Council.<sup>3</sup> Although it stated that CCC Water had provided insufficient evidence to justify the increased time requirement associated with Category 1 and 2 annual fees (which contributed to increases to these prices), Frontier nevertheless recommended adopting CCC Water's proposed annual and application trade waste prices.<sup>4</sup> Frontier recommended accepting CCC Water's proposed fixed trade waste prices because on balance these charges are broadly in line with, or below, charges levied by comparable water utilities.<sup>5</sup>

After considering CCC Water's proposal and Frontier's review, our draft decision is to accept CCC Water's proposed fixed trade waste prices as presented in Table 2.1 from 1 July 2022 to 30 June 2026.

We consider that the costs involved in providing trade waste services are unlikely to significantly change based on the location in which the service is provided. Accordingly, we have also made a draft decision to remove separate Category 1 annual prices for the Gosford and Wyong areas, and to harmonise prices across the entire council area.

Our draft decision on fixed trade waste prices is contained in Table 2.1 below.

Table 2.1 IPART's draft decision on fixed trade waste prices

Type of fixed fee	2021-22 price (\$2021-22)	Our draft decision (\$2022-23) <sup>a</sup>
<b>Category 1</b>		
Application fee	99.76	137.95
Annual trade waste fee	99.77	144.93
<b>Category 2</b>		
Application fee	126.28	174.61
Annual trade waste fee	362.11	451.24
<b>Category 3</b>		
Application fee	2,274.52	2,752.43
Annual trade waste fee	1,399.70	1,693.80
<b>Category S</b>		
Application fee	173.64	174.61
Annual trade waste fee	157.86	211.73
<b>Re-inspection fee (all Categories)</b>	115.55	159.77

a. Prices will increase with CPI at 3.2%.

Source: IPART analysis, CCC Water, Pricing proposal to IPART - Technical Paper 9 – Pricing of other services, September 2021, p 15.

## 2.2 We accepted CCC Water's volume-based trade waste prices

Our draft decision is to accept CCC Water's proposed volume-based usage prices for Category 2 and S discharge.

We did not engage our consultants to investigate CCC Water's proposed volume-based usages for Category 2 and Category S discharge. We found the proposed changes to these prices to be modest and within the scope of the Department of Planning and Environment's (DPE) guideline trade waste usage prices.<sup>6</sup>

Our draft decision is contained in Table 2.2 below.

Table 2.2 IPART's draft decision on variable trade waste prices (\$/kL)

Type of fixed fee	2021-22 price	2022-23 price (\$2022-23) <sup>a</sup>
Usage Charge Category 2 (compliant pre-treatment)	1.83	1.95
Usage Charge Category 2 (non-compliant)	15.63	16.72
Usage Charge Category S (Septic effluent unable to discharge onsite)	1.83	1.95
Usage Charge Category S (Septage and septic effluent discharge charge)	18.36	18.74

a. Prices will increase with CPI at 3.2%.

Source: IPART analysis, CCC Water, Pricing proposal to IPART - Technical Paper 9 – Pricing of other services, September 2021, p 15-16.

## 2.3 We assessed CCC Water's mass-based trade waste prices

Our draft decision is to accept CCC Water's revised list of mass-based prices for Category 3 customers.

Category 3 customers are required to pay excess mass charges for discharging substances in excess of the 'deemed concentrations' of those substances in domestic wastewater.

CCC Water originally proposed a list of substances and parameters subject to excess mass-based prices that corresponded with the list of substances adopted in the 2019 Determination.

We raised concerns with CCC Water that the proposed list included prices for substances such as uranium and mercury for which there is no safe 'acceptance limit' and which pose considerable risk to the wastewater system.

In response, CCC Water shortened their proposed list of substances and parameters and adopted the default prices provided in DPE's Liquid Trade Waste Regulation Guidelines for routine substances and substances specific to Central Coast.<sup>7</sup> We consider that these default prices reflect the best estimates of the costs of treatment given the available information and have been adopted by several NSW councils.

Our draft decision to accept the new proposed list of substances and parameters subject to the excess mass charges is contained in Table 2.3.

As a result of our draft pricing decisions, CCC Water's forecast annual revenue for trade waste is around \$2.6 million which is approximately 3% lower compared to the 2019 Determination.

Table 2.3 IPART's draft decision on list of substances subject to excess mass-based charges (\$2022-23)

<b>Substances</b>	<b>Price \$/kg<sup>a</sup></b>
Ammonia (as N)	2.58
Biochemical oxygen demand (BOD)	0.88
Cadmium	366.45
Chromium	26.38
Copper	16.13
Cyanide	79.14
Fluoride	3.93
Lead	39.6
Methylene blue active substances (MBAS)	0.88
Nickel	26.38
Oil and Grease (Total O&G)	160
Petroleum hydrocarbons	2.49
pH	0.46
Sulphate (SO <sub>4</sub> )	0.41
Sulphide (as S)	0.41
Total suspended solids (TSS)	1.14
Total dissolved solids (TDS)	0.26
Total Kjeldahl Nitrogen minus Ammonia (as N)	0.88
Total Phosphorus (as P)	1.81
Zinc	16.12

a. Prices include CPI of 3.2%.

Source: IPART analysis, CCC Water, Pricing proposal to IPART - Technical Paper 9 – Pricing of other services, September 2021, pp 17-19; Department of Planning and Environment, recommended Liquid Trade Waste Fees and Charges 2021, p 2.

### 3 We assessed CCC Water's proposed miscellaneous prices

Our draft decisions are:

- 34. To decrease the price for a minority of revenue-intensive miscellaneous charges as listed in Table 3.2 in our *Draft Technical Paper – Trade waste and other prices*.
- 35. To set the standpipe hire prices in reference to the corresponding water service price as listed in Tables 3.2 and 3.3 in our *Draft Technical Paper – Trade waste and other prices*.
- 36. To increase miscellaneous prices by CPI only for prices that are not in line with other benchmark utilities as listed in Table 3.3 in our *Draft Technical Paper – Trade waste and other prices*.
- 37. To accept CCC Water's remaining proposed miscellaneous prices.
- 38. To accept CCC Water's proposed removal and introduction of new miscellaneous and ancillary charges as listed in Tables 3.4 and 3.5 in our *Draft Technical Paper – Trade waste and other prices*.

As a water supply authority, CCC Water provides miscellaneous and ancillary services. These include one-off services such as disconnections and connections, accessing documents, and testing. Using the same approach we took for trade waste prices, we considered whether the proposed prices for each service reflect the full efficient costs of service delivery to customers.

CCC Water reviewed its prices for miscellaneous services in the lead-up to IPART's review, and proposed to introduce new charges for this pricing period, remove some charges, and make changes to how costs are reported and assessed under the 2022 Determination.

We have engaged our consultants Frontier to undertake a thorough review of CCC Water's proposed prices. Our consultants reviewed CCC Water's proposed prices for the 10 most revenue-intensive miscellaneous charges, which together comprise approximately 70% of the total revenue that CCC Water earns from miscellaneous services. They sought to examine whether CCC Water's proposed prices reflect the efficient costs incurred in providing the service and accord with benchmark prices charged by similar utilities.

We are setting draft decisions that are informed by Frontier's recommendations for these prices, and have sought to apply the same principles to the remaining miscellaneous prices which were not examined by the consultants.

### 3.1 We reduced 4 of the 10 most revenue-intensive prices and increased the remaining prices by CPI only

CCC Water noted in its pricing proposal that its proposed miscellaneous and ancillary prices have been aligned to reflect IPART's pricing principles of full cost recovery for services provided, and that these costs include both on-costs and corporate overheads, but do not include any allowance for profits, costs already recovered through maximum prices or any costs unrelated to service delivery.<sup>8</sup>

Where minor construction and plumbing services are provided by CCC Water's contract plumber, the cost is determined by the cost the provider charges CCC Water, this includes materials and labour.

Frontier assessed 10 of the 85 miscellaneous and ancillary prices levied by CCC Water which have the greatest impact on CCC Water's revenue. Together, these 10 charges, contained in Table 3.1, are proposed to increase on average by 50% and represent around 70% of CCC Water's expected revenue from miscellaneous services.

Table 3.1 CCC Water's top 10 proposed and existing miscellaneous and ancillary charges by revenue raised (\$2021-22)

Miscellaneous and ancillary charge	Summary	Current price (2021-22)	Proposed price (2022-23)	% change
1b. Conveyancing Certificate Statement of Outstanding Charges (s360 Certificate) - online request (online form on council website)	Relates to the issuing of a statement of outstanding rates and charges	27.80	27.31	-2%
2b. Property sewerage line and drainage diagram - online request (online form on council website)	Relates to the issuing of a copy of a diagram showing the location of the property service line and drainage for a property	18.89	25.67	36%
3a. Provision of service location diagrams - water and sewer location plans	Relates to the provision of a service location diagram of sewer and/or water mains in relation to a property's boundaries	22.24	21.84	-2%
8c. Water service connection - short and long service (20mm)	Relates to the connection of water service (20mm)	1,457.47	1,470.99	1%
10b. Standpipe hire - annual fees (65mm)	Relates to the annual hire of a metered standpipe (65mm)	866.11	2,672.00	209%
11. Standpipe water usage (\$/kL)	Relates to the volumetric charge associated with the hire of a metered standpipe	2.10	2.20	5%
13b. Inspection of new water and sewer assets (incl. encasements and new junctions) + linear asset	Relates to the inspection of water and sewer works carried out by private developers for compliance with CCC Water's standards	6.52	16.30	150%

Miscellaneous and ancillary charge	Summary	Current price (2021-22)	Proposed price (2022-23)	% change
17a. Water or sewer engineering plan and technical assessment – small projects <sup>c</sup>	Relates to the reviewing of plans related to water and sewer works	303.81	487.95	61%
18b. Section 307 certificate – single residential development and dual occupancy	For the provision of a Section 307 Certificate which states that a development complies with the Water Management Act 2000	151.90	152.63	0%
19. Section 305 application <sup>d</sup>	For the provision of a Section 26 Certificate which states that a development complies with the Water Management Act 2000	NA	60.32	NA

Note: Charges are listed in accordance to IPART's 2022 Draft Determination.

Source: CCC Water, Pricing proposal to IPART - Technical Paper 9 – Pricing of other services, September 2021, pp 32-40.

Frontier noted that several of CCC Water's proposed miscellaneous and ancillary prices are higher than equivalent prices levied by similar water utilities, such as Sydney Water and Hunter Water. Despite seeking additional information on the drivers of the cost increases, Frontier was of the opinion that CCC Water had not provided sufficient evidence to justify the proposed increases in the prices.

Accordingly, Frontier recommended that:

- increases to prices be limited to the consumer price index (CPI) for existing prices where a significant increase was proposed (for charges 2b, 12b, 15b and 21a),
- small proposed increases (for charges 10c and 13) or decreases (1b, 3a, 22c) in existing prices should be accepted,
- the proposed price for a new service (Section 305 application) should be accepted on the grounds that it is lower than similar charges levied by Hunter Water and Sydney Water.<sup>9</sup>

Our draft decision is informed by the consultants' recommendations except for charge 12b, which should not be indexed to inflation but rather aligned with the annual water supply service price for a 65mm meter. Moreover, charge 12a should be aligned with the annual water supply service price for a 25mm meter.

<sup>c</sup> Relocations, private SPS and/or development </10 lots or extension to properties outside areas.

<sup>d</sup> In relation to this charge, CCC's proposal notes "developers are to obtain a Section 26 Certificate which states that the development complies with the Water Management Act 2000" (CCC Water, Pricing proposal to IPART - Technical Paper 9 – Pricing of other services, September 2021, p.40).

Our draft decision is to set these prices on the 10 most revenue-intensive miscellaneous charges as recorded in Table 3.2 below.

Table 3.2 IPART's draft decision on prices for CCC Water's 10 most revenue-intensive proposed miscellaneous charges

Miscellaneous and ancillary charge	Proposed price (\$2021-22)	Draft price (\$2022-23) <sup>a</sup>	Variance (%)
1b. Conveyancing Certificate Statement of Outstanding Charges (s360 Certificate) – online request (online form on council website)	27.31	28.18	3.20%
2b. Property sewerage line and drainage diagram - online request (online form on council website)	25.67	19.49	-24.07%
3a. Provision of service location diagrams - water and sewer location plans	21.84	22.54	3.20%
8c. Water service connection - short and long service (20mm)	1470.99	1,518.06	3.20%
10b. Standpipe hire - annual fees (65mm)	2,672.00	1,932.66	-27.66%
11. Standpipe water usage (\$/kL)	2.20	2.27	3.20%
13b. Inspection of new water and sewer assets (incl. encasements and new junctions) + linear asset	16.30	6.73	-58.71%
17a. Water or sewer engineering plan and technical assessment – small projects <sup>e</sup>	487.95	313.53	-35.74%
18b. Section 307 certificate – single residential development and dual occupancy	152.63	157.51	3.20%
19. Section 305 application <sup>f</sup>	60.32	62.25	3.20%

a. Prices will increase with CPI at 3.2%.

Note: Charges are listed in accordance to IPART's 2022 Draft Determination.

Source: IPART analysis, Frontier Economics & Mott McDonald, Draft Expenditure Review, January 2021, p 133-134.

### 3.2 We set remaining miscellaneous prices to increase by CPI only or in line with CCC Water's proposal

Our draft decision for the remaining miscellaneous prices is to accept CCC Water's proposed prices for miscellaneous charges that are similar to other water utilities and to only increase by CPI the prices that do not align with other benchmark water utilities.

CCC Water has proposed considerable increases to several prices which have not been assessed by Frontier due to their smaller impact on revenue. However, we are aware that large increases in prices can have large impacts on individual customers even if their overall impact on revenue is limited.

<sup>e</sup> Relocations, private SPS and/or development </10 lots or extension to properties outside areas.

<sup>f</sup> In relation to this charge, CCC's proposal notes "developers are to obtain a Section 26 Certificate which states that the development complies with the Water Management Act 2000" (CCC (2021), Technical Paper 9 – Pricing of other services 2022 Central Coast Council water price review, p.40).

We have investigated the efficiency of such increases by reference to whether they correspond closely to other more revenue-intensive charges that have been assessed by Frontier, and to whether they are significantly out of line with similar prices issued by other benchmark utilities. While we also investigated the efficiency of proposed decreases in several prices, we did not find any examples that appeared to be below the efficient costs of service delivery or significantly out of line with benchmark utilities.

After performing these tests, we have decided that increases to the following prices should be limited to CPI:

- 2a, 2c and 2d (due to their similarity to charge 2b)
- 15a (due to its similarity to 15b)
- 21b and 21c (due to their similarity to charge 21a)
- 4a and 4b (out of line with similar charges issued by benchmark utilities)
- 6 (out of line with similar charges issued by benchmark utilities)
- 9b (out of line with similar charges issued by benchmark utilities)
- 12a (set the price to be aligned with the water service charge of a 25mm meter – similarly to 12b).

These prices were either similar to other miscellaneous charges or were out of line with other benchmark utilities, such as Hunter Water or Sydney Water.

Table 3.3 IPART's draft decision on miscellaneous charges that will increase with CPI only or change to be in line with similar prices

Miscellaneous and ancillary charge	Current price (\$2021-22)	Proposed price (\$2021-22)	Draft decision <sup>a</sup> (\$2022-23)	Reason for change
2a Property sewer line and drainage diagrams - manual request (hard copy form or telephone)	27.80	36.53	28.69	Similarity to charge 2b, which should be increased in line with CPI only
2c Property sewer line and drainage diagrams (with long section) - online requests only	22.24	36.18	22.95	Similarity to charge 2b, which should be increased in line with CPI only
2d Property sewer line and drainage diagrams (property complex) - online requests only	32.24	40.96	33.27	Similarity to charge 2b, which should be increased in line with CPI only
4a Manual request (hard copy form or telephone)	43.30	72.41	44.69	Out of line with similar charges issued by benchmark utilities
4b Online request (online form on Council website)	32.19	68.06	33.22	Out of line with similar charges issued by benchmark utilities
6 Building Over or Adjacent to Existing Water or Sewer Statement	56.32	118.22	58.12	Out of line with similar charges issued by benchmark utilities
7b Disconnection of water service	244.45	408.10	252.27	Out of line with similar charges issued by benchmark utilities
10a Standpipe Hire – Annual Fee 25mm	136.39	395.00	285.89	Draft decision charge has been aligned with the annual water supply service charge for 25mm service connections
13a inspection of new water and sewer assets including encasements and new junctions	124.28	189.63	128.26	Similarity to charge 15b, which should be increased in line with CPI only
17b medium projects > 10 and < 50 lots, and mains relocation incl R&D unit	725.00	1,128.38	748.20	Similarity to charge 21a, which should be increased in line with CPI only
17c large projects ≥ 50 and <150 lots or large or medium density developments	925.23	1,578.20	954.84	Similarity to charge 21a, which should be increased in line with CPI only

a. Prices increase with CPI at 3.2%.

Note: Charges are listed in accordance to IPART's 2022 Draft Determination.

Source: IPART analysis, CCC Water, Pricing proposal to IPART - Technical Paper 9 – Pricing of other services, September 2021, pp 32-40.

### 3.3 We assessed CCC Water's proposed introduction of 12 new and removal of 11 miscellaneous charges

Our draft decision is to accept CCC Water's proposed introduction of new charges and removal of charges.

CCC Water has proposed the introduction of 12 new miscellaneous charges, and the removal of 11 charges that were included in the 2019 Determination. These new charges were introduced by CCC Water on the basis that they provide necessary services to the community. These new charges are mainly to service new water connections for various meters or to be more cost-reflective of inspections. We consider that these new charges are necessary to provide services to customers and are cost-reflective.

CCC Water's proposal to remove 11 charges, primarily for wastewater and plumbing inspections, is reasonable. These charges are no longer being levied on customers because they are either no longer required or do not align with IPART's pricing principle of full-cost recovery. We agree that these charges are no longer necessary to serve the community.

As a result of our decisions on miscellaneous and ancillary prices, the expected annual revenue from all miscellaneous and ancillary charges will be around \$2.6 million. This is around \$0.4 million less than CCC Water's proposed annual revenue from miscellaneous and ancillary charges.<sup>10</sup>

Table 3.4 New miscellaneous and ancillary charges (\$2022-23)

Miscellaneous and ancillary charges	Draft decision price (\$2022-23) <sup>a</sup>
8d Water service connection meter only (25 mm)	192.35
8g Water service connection meter only (40 mm)	606.51
8j Water service connection meter only (50 mm)	1004.30
8m Water service connection meter only (65 mm)	1019.82
8p Water service connection meter only (80 mm)	1,086.00
8u Water service connection meter only (100 mm)	1,316.94
13c Laboratory analysis to confirm disinfection	25.80
13d + After hours inspection (four hours minimum)	381.84
13e + After hours inspection (per hour beyond four hours)	108.36
13f Inspection of new water or wastewater pump station	5,788.37
15a Application for adjustment of water service	66.45
19. Section 305 application	62.25

a. Prices include increase with CPI at 3.2%.

Note: Charges are listed in accordance to IPART's 2022 Draft Determination.

Source: CCC Water, Pricing proposal to IPART - Technical Paper 9 – Pricing of other services, September 2021, pp 32-40.

Table 3.5 Discontinued miscellaneous and ancillary charges (\$2021-22)

Miscellaneous and ancillary charges	Current price	Draft decision
Water reconnection	155.05	Discontinued
Water connection short service (32mm)	2,024.87	Discontinued
Water connection long service (32mm)	2,835.17	Discontinued
Inspection of new water and sewer assets – gravity sewer main	8.7	Discontinued
New sewer connection	186.55	Discontinued
Each additional water connection	15.79	Discontinued
Alterations, caravans and mobile homers	170.75	Discontinued
Sewer re-inspection	42.69	Discontinued
Rainwater tank connection	69.89	Discontinued
Section 307 certificate – development without requirement	62.15	Discontinued
Cancellation of water and sewer application	22.24	Discontinued

Source: CCC Water, Pricing proposal to IPART - Technical Paper 9 – Pricing of other services, September 2021, pp 32-40.

## 4 We assessed CCC Water's proposed prices for specific customers

We considered how prices are set for specific customers who use a relatively large amount of water, including retirement villages, WICA licensees and Hunter Water-Central Coast bulk water transfers. Our draft decisions are to maintain existing pricing approaches for these customers because we have not received new information that justifies moving away from the existing approaches. The sections below explain each draft decision in more detail.

Our draft decisions are:

- 39. To maintain our approach from our 2019 Determination of charging retirement villages as standard non-residential customers.
- 40. To allow CCC Water to charge WICA Licensees as standard non-residential customers if they do not have an unregulated pricing agreement.
- 41. To not revoke or replace the current 2019 Determination that sets a maximum price for bulk transfers between Hunter Water and CCC Water with reference to the Short Run Marginal Costs (SRMC) (but allow for Hunter Water and CCC Water to agree on a different price).

### 4.1 We maintained the current pricing approach for retirement villages

For the 2022 Determination CCC Water proposed to maintain its current approach to pricing for retirement villages and our draft decision is to accept CCC Water's proposal. Currently retirement villages are charged on a similar basis to non-residential properties. This means that each village pays service prices according to the size of its water meter(s), rather than based on the number of retirement village units (or dwellings). This approach to pricing results in retirement villages paying substantially less than they would under dwelling-based service prices (including if the residents were eligible for a pensioner discount). However, we found there is not a strong case to change from the current approach, particularly given potential administrative costs and bill impacts of introducing a change.

In making our decision we considered the following:

- 38% of retirement villages in CCC Water are exempt from a service charge and therefore receive a cost advantage to other villages. The lower service charge per customer reduces the discrepancy between retirement villages that are exempt and those that are not.<sup>11</sup>
- it avoids price shock to retirement villages
- some retirement villages are commercially based enterprises so there is an argument they should be billed as a non-residential customer
- stakeholders did not express strong views about changing the current approach to pricing.

## 4.2 We maintained the current pricing approach for existing WICA Licensees

CCC Water supplies services to 2 WICA licensees who are charged as standard non-residential customers. CCC Water proposed to maintain its approach to pricing for these two customers for the 2022 Determination. Our draft decision is to treat each of the 2 current licensees as non-residential customers for pricing purposes.

A Water Industry Competition Act (WICA) licensee is a corporation that obtains a licence to construct, maintain or operate any water industry infrastructure, to supply water or provide wastewater services.

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The two WICA licensees CCC Water supplies services to are:

- **Narara Ecovillage (NEV):** which currently pays CCC Water's standard non-residential service and usage charges. We consider that CCC Water and NEV can enter into private negotiations for mutually beneficial outcomes as a first step. This would be an unregulated pricing agreement.<sup>9</sup>
- **Solo Water at Catherine Hill Bay (CHB):** CHB is a WICA licensee that currently receives a water service (only) from CCC Water even though it is outside CCC Water's area of operations. CHB currently pays CCC Water non-residential prices. In our 2019 review Solo Water outlined a range of reasons why it considered IPART should set a lower usage price for services provided to CHB by CCC Water, but we did not agree that a lower usage price was justified.<sup>12</sup> For this review, we consider there is not yet clear evidence or reasoning to deviate from our previous decision.

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<sup>9</sup> Under IPART's wholesale pricing framework, a wholesale supplier and customer can enter an unregulated agreement (with the costs and revenues of this agreement ring-fenced from the broader customer base). IPART would defer regulating prices (indefinitely), only intervening to regulate if agreement couldn't be reached and one party sought a scheme-specific price determination.

For any new WICA licensee that receives a service from CCC Water over the 2022 determination period, we have not set a regulated price (and excluded them from the scope of the determination). Given the time required for a new WICA licensee to become operational, we consider that the likelihood of this is low. Should any new licensee receive a service from CCC Water, it can enter into a negotiated services agreement. In the unlikely event that the parties are unable to agree on terms and prices, we have the power to make a scheme specific price determination. In that case, we would be likely to follow the approach set out in our 2017 Wholesale Pricing Review.<sup>13</sup>

### 4.3 We maintained the current approach for bulk transfers between Hunter Water and CCC Water

CCC Water has a water trading arrangement with Hunter Water, where either party can supply potable water to the other under a water supply contract. In our 2019 review, we set a maximum price for bulk water transfers in either direction between CCC Water and Hunter Water. However, we also allowed CCC Water and Hunter Water to opt out of this maximum price and to enter an unregulated pricing agreement, which they have done.

The current price structure sets the transfer price in either direction to the higher of the two utilities' short-run marginal cost (SRMC) of water supply. An alternative to this pricing approach would be to set the transfer price at the higher of the two utilities' long-run marginal cost (LRMC) of water supply. We generally prefer to set prices with references to LRMC, as it better reflects the true cost of supplying water (see our *Draft Information Paper – Draft prices and bill impacts* for more information). However, in this case, both CCC Water and Hunter Water favour the current price structure and level as they value the simplicity of current arrangements.<sup>14</sup>

For this reason, our draft decision is to leave the current transfer price determination in place. This will set the maximum transfer price with reference to Hunter Water and CCC Water's SRMC. However, Hunter Water and CCC Water will be able to continue their practice of selling bulk water to each other under an unregulated price agreement that has been provided to IPART jointly by the agencies, rather than at the price determined by IPART.

**Short-run marginal cost**  
of water supply is the variable cost of supplying an additional unit of water where supply is limited by existing infrastructure

**Long-run marginal cost**  
of water supply is the cost of supplying an additional unit of water where supply is not limited by existing infrastructure

## 5 We are seeking your feedback on our draft decisions

We welcome your views and are keen to hear what you think about our draft decisions, draft decisions 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 included in our [Draft Technical Paper – Regulatory setting](#).

Please feel free to respond to any/all of our questions throughout these documents. You are also welcome to raise other issues in addition to those we have raised.

Our draft decisions in this Draft Technical Paper are:

31.	To accept CCC Water's proposed fixed trade waste prices as listed in Table 2.1 in our <i>Draft Technical Paper – Trade waste and other prices</i> .	3
32.	To accept CCC Water's proposed compliant and non-compliant usage prices as listed in Table 2.2 in our <i>Draft Technical Paper – Trade waste and other prices</i> .	3
33.	To accept CCC Water's updated list of mass-based prices for category 3 customers as listed in Table 2.3 in our <i>Draft Technical Paper – Trade waste and other prices</i> .	3
34.	To decrease the price for a minority of revenue-intensive miscellaneous charges as listed in Table 3.2 in our <i>Draft Technical Paper – Trade waste and other prices</i> .	8
35.	To set the standpipe hire prices in reference to the corresponding water service price as listed in Tables 3.2 and 3.3 in our <i>Draft Technical Paper – Trade waste and other prices</i> .	8
36.	To increase miscellaneous prices by CPI only for prices that are not in line with other benchmark utilities as listed in Table 3.3 in our <i>Draft Technical Paper – Trade waste and other prices</i> .	8
37.	To accept CCC Water's remaining proposed miscellaneous prices.	8
38.	To accept CCC Water's proposed removal and introduction of new miscellaneous and ancillary charges as listed in Tables 3.4 and 3.5 in our <i>Draft Technical Paper – Trade waste and other prices</i> .	8
39.	To maintain our approach from our 2019 Determination of charging retirement villages as standard non-residential customers.	17
40.	To allow CCC Water to charge WICA Licensees as standard non-residential customers if they do not have an unregulated pricing agreement.	17
41.	To not revoke or replace the current 2019 Determination that sets a maximum price for bulk transfers between Hunter Water and CCC Water with reference to the Short Run Marginal Costs (SRMC) (but allow for Hunter Water and CCC Water to agree on a different price).	17

## 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 »](#)

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<sup>1</sup> CCC Water, Pricing proposal to IPART - Technical Paper 9 – Pricing of other services, September 2021, p 5.

<sup>2</sup> Frontier Economics & Mott McDonald, Draft Expenditure Review, January 2021, p 129; CCC Water, Pricing proposal to IPART - Technical Paper 9 – Pricing of other services, September 2021, p 15.

<sup>3</sup> Frontier Economics & Mott McDonald, Draft Expenditure Review, January 2021, p 130.

<sup>4</sup> Frontier Economics & Mott McDonald, Draft Expenditure Review, January 2021, p 131.

<sup>5</sup> Frontier Economics & Mott McDonald, Draft Expenditure Review, January 2021, p 131.

<sup>6</sup> Department of Planning and Environment, recommended Liquid Trade Waste Fees and Charges 2021, p 1.

<sup>7</sup> Department of Planning and Environment, recommended Liquid Trade Waste Fees and Charges 2021, p 1.

<sup>8</sup> CCC Water, Pricing proposal to IPART - Technical Paper 9 – Pricing of other services, September 2021, p 31.

<sup>9</sup> Frontier Economics & Mott McDonald, Draft Expenditure Review, January 2021, p 135-136.

<sup>10</sup> CCC Water, Pricing proposal to IPART - Technical Paper 9 – Pricing of other services, September 2021, p 41.

<sup>11</sup> IPART, Review of CCC Water's water, sewerage and stormwater prices Final Report, May 2019 p 128.

<sup>12</sup> IPART, Review of CCC Water's water, sewerage and stormwater prices Final Report, May 2019 p 137-138.

<sup>13</sup> IPART, *Prices for wholesale water and sewerage services – Sydney Water Corporation and Hunter Water Corporation, Final Report, June 2017.*

<sup>14</sup> CCC Water's pricing proposal to IPART, September 2021, pp 109-110.