

Kiama Municipal Council Submission to IPART on Sydney Water Pricing Proposal

1. What do you think about Sydney Water's engagement process? Do you think Sydney Water has engaged effectively with customers and stakeholders?

N/A

2. What do you think about the key outcomes and performance measures Sydney Water is aiming to deliver for its customers?

Yes, especially sustainability and green targets are very important for long-term sustainability of water supply.

The % of water lost because of leakages, including new target remains rather significant (7%).

3. Setting prices that customers can afford is a key concern for this review. What factors should we take into account when considering customer affordability?

It appears that there was no analysis of income distribution across the customer base to understand the capacity to pay. There is no explanation how low-income households and the potential need for assistance programs was considered. In addition, the Cost of Living across different areas of Greater Sydney vs Illawarra region ,etc. It doesn't account for regional variations in living costs, such as housing, utilities, and other essentials.

4. How would the bill increases proposed by Sydney Water impact your household budget?

Kiama Municipal Council currently allocates 2.9% of its rate income to water bills (\$600K in expenses from a \$21M rate base). The proposed increase in water charges by Sydney Water is projected to raise this to 4.2% of the rate base by 2030.

This significant increase comes at a time when local governments are already grappling with escalating costs across various areas, such as infrastructure maintenance, community services, and environmental initiatives. For households, these higher water charges will likely translate to increased financial pressure, as councils may need to adjust rates to cover these costs.

It is crucial for IPART to recognise this impact and address it in the rate peg calculation. Not all NSW councils rely on Sydney Water, which creates an inequity if councils using Sydney Water face disproportionate cost escalations without corresponding adjustments in the rate peg. To ensure fairness and equity, councils dependent on Sydney Water should be allowed a higher rate peg to accommodate these extraordinary price increases, preventing undue strain on local government resources.

5. What do you think about Sydney Water proposing to recover most of its additional costs to service customers through the water service charge (a fixed charge that does not vary by water usage)?

Sydney Water's proposal to recover most of its additional costs through the water service charge—a fixed charge that does not vary with water usage—is not a preferred approach. This structure undermines key principles of water conservation and resource efficiency.

By shifting costs primarily to a fixed charge, customers are left with little control over their bills, regardless of efforts to reduce water consumption. This approach is counterintuitive to encouraging sustainable practices, as it removes the financial incentive for households and businesses to conserve water or invest in water-efficient technologies.

A more balanced pricing model that includes a significant variable component tied to usage would better align with the goals of promoting resource efficiency and equity. This would ensure that those who use less water are rewarded with lower bills, while high water users contribute proportionally more to the costs of service.

Additionally, a reliance on fixed charges may disproportionately impact low-income households and smaller users, who may already face financial pressures. Such a model risks being perceived as inequitable and contrary to sustainability objectives.

It is critical for Sydney Water to explore alternative cost recovery mechanisms that promote conservation, fairness, and affordability for all customers.

6. Would you reduce the amount of water you use to lower your water bill in response to Sydney Water's proposed price increases? If so, by how much?

This is yet to be considered by Council.

7. What adjustments would you make to your home to reduce your water consumption? For example, would you install water saving devices or switch to lower water use appliances?

This is yet to be considered by Council.

8. Tell us what you think about Sydney Water's service standards for water and wastewater. What does good quality service mean to you?

Services provided by Sydney Water to some of our regional communities are below the standard.

9. What are your views on who should pay for stormwater services? Customers who are connected to the stormwater services, or all Sydney Water customers?

Only customers who are directly connected to and benefit from stormwater services should be responsible for paying for them. This approach ensures fairness by aligning costs with service usage.

It is also important to consider that in some local government areas, residents already pay stormwater levies. Sydney Water must coordinate with local councils to ensure that residents are not being double charged for stormwater management. Clear communication and transparent billing practices are essential to prevent overlaps and maintain public trust.

Furthermore, a usage-based funding model for stormwater services encourages accountability and ensures that costs are distributed equitably among those who directly benefit. However, Sydney Water should also consider providing flexibility for exceptional cases, such as areas where broader community benefits from stormwater management (e.g., flood mitigation or environmental protection) justify a shared cost model.

10. Does your response change if the stormwater services protect or improve waterway health?

More details are needed to understand the impact.

11. What do you think about WaterNSW's engagement process for its Greater Sydney bulk water services? Do you think WaterNSW has engaged effectively with customers and stakeholders?

12. N/A

13. What do you think of WaterNSW's proposed capital expenditure program, including the Warragamba Dam Resilience and Warragamba E-Flows projects?

Please refer to the response to Question 14.

14. What are your views on WaterNSW's proposed Long-Term Capital and Operational Plan for Greater Sydney?

Water NSW's proposed capital expenditure program, including the Warragamba Dam Resilience and Warragamba E-Flows projects, appears unrealistic and potentially overstated. Historical trends indicate that capex targets are unlikely to be met, which raises concerns about Sydney Water accumulating significant cash reserves. These reserves may generate investment income, but the associated costs would still impose a financial burden on current households, creating intergenerational inequity where today's residents are effectively subsidising future generations.

It is also unclear why existing residents are expected to bear the costs of infrastructure designed to accommodate regional growth. Such projects should primarily be funded by developers and other dedicated funding sources, ensuring that the financial responsibility is equitably distributed.

15. What do you think about WaterNSW's proposed operating expenditure?

The program seems to lack a focus on achieving efficiencies and cost savings that would directly benefit end users. While growth-related expenses are highlighted, there is insufficient consideration of economies of scale or initiatives to offset rising costs. A more balanced approach that emphasizes both necessary investments and tangible benefits for customers is critical to maintaining public trust and ensuring sustainable water management.

16. What impact would WaterNSW's proposed revenue cap have on customers in Greater Sydney?

N/A

- Do you think it increases customer value?
- Can you identify any unintended consequences?