

Submission to IPART Review of Central Coast Council Water Prices Draft Report

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About the Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is leading social justice law and policy centre. Established in 1982, we are an independent, non-profit organisation that works with people and communities who are marginalised and facing disadvantage.

PIAC builds a fairer, stronger society by helping to change laws, policies and practices that cause injustice and inequality. Our work combines:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change and public interest outcomes.

Energy and Water Consumers' Advocacy Program

The Energy and Water Consumers' Advocacy Program works for better regulatory and policy outcomes so people's needs are met by clean, resilient and efficient energy and water systems. We ensure consumer protections and assistance limit disadvantage, and people can make meaningful choices in effective markets without experiencing detriment if they cannot participate. PIAC receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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The Public Interest Advocacy Centre office is located on the land of the Gadigal of the Eora Nation.

Contents

Contents	3
Introduction.....	1
Improving performance	1
Funding stormwater services.....	2
Draft prices and bill impacts	2
Fixed versus usage cost recovery	4
Concessions and payment assistance measures.	4
Further consultation.....	5

Introduction

PIAC supports the intent of the Review of Central Coast Council Water Price Draft Report (the Draft) and agrees with the key issues identified by IPART.

We commend IPART on the structure and transparency of the Draft. It demonstrates improved engagement with the community and helps people understand IPART's processes and decisions. The Draft reflects IPART's effort to seek community perspectives in a process with material community impact.

PIAC acknowledges IPART is faced with difficult decisions in addressing Central Coast Council Waters (CCCW) circumstances while also meeting the needs of the community and addressing their concerns. The structure of the Draft makes the issues, considerations, and decisions clearly accessible. It also helps the community to understand and respond to the Draft and will contribute to building community confidence in the final decision.

However, PIAC notes instances where proposed decisions do not appear to respond to the factors considered by IPART, and do not explain the underlying reasoning and how they meet relevant priorities. We have raised questions in response to specific decisions in this submission. We recommend that IPART explain more clearly how their decisions accord with the principles, priorities, and preferences cited, regardless of the position taken in the final determination.

Clear reasoning is particularly important when considering how various decisions interact with each other. For example, since affordability and bill impacts is a significant community concern and substantial risk to many households, IPART should consider opportunities for all decisions to mitigate price impacts. For example, upfront increases to stormwater charges seems to be inconsistent with mitigation of affordability impacts in early years.

PIAC has provided detailed input in response to relevant sections of the Draft.

Improving performance

PIAC supports IPART's recognition of CCCW's performance issues. This poor performance has created unacceptable risks to the environment and community and undermines community support for future CCCW revenue requirements. The proposed price increases further challenge community confidence with trust already at a low level.

PIAC supports robust action to address performance issues and implement measures to rebuild community confidence over the course of the determination. We do not consider the performance measures and reporting and the review proposed by IPART are sufficient to address community concern.

IPART notes it does not currently have the same mechanisms to set, monitor and audit performance levels for CCCW it does for Sydney and Hunter Water. IPART has proposed developing a set of performance standards CCCW should meet and report on. PIAC agrees and recommends IPART uses the existing operating licence conditions and performance reporting

requirements for Sydney and Hunter Water as the basis for creating an equivalent set of measures for CCCW. These should be regarded as required and auditable on an annual basis. If IPART requires legislative reform or other new authority to implement this requirement, it should be requested as a matter of urgency.

IPART's draft recommendation for the Minister to request a review of CCCW performance should be brought forward and strengthened. IPART should recommend the Minister requests annual audits of CCCW performance against the measures set in this determination, commencing on 1 July 2023. It is clear from the public hearings conducted by IPART that the community strongly supports this form of robust and regular oversight.

Opportunities to reform legislation to enable these arrangements should be pursued alongside these practical changes. PIAC regards these measures as essential to give the community confidence that material increases in their bills will result in improved performance and help address their serious concerns with CCCWs ability to deliver an acceptable level of service.

Funding stormwater services

PIAC strongly supports IPART's decision to move recovery of all stormwater related costs to CCC rates. This improves the transparency of responsibility for stormwater cost recovery and will be important in rebuilding community confidence in the performance of CCC and CCCW.

We question why implementation is being delayed until after 2026. The Draft also proposes to make large increases to stormwater costs in the first year of the determination. This does not appear consistent with the determination that stormwater costs should not be recovered from CCCW bills after 2026. PIAC considers this undermines IPART's priority to mitigate bill impacts, particularly in early years of this determination.

The proposed stormwater cost increases and the indicative bill impacts represent a material proportion of the total expected bill increases in the Draft. This is particularly significant in the early years of determination where the cost increases are largest. PIAC recommends IPART mitigate the impact on household water consumers by expediting the transfer of stormwater cost recovery to rates. As some costs are already recovered through rates, it is not likely to be necessary to develop from scratch a new means of identifying, apportioning, and recovering stormwater costs. PIAC expects a transfer of stormwater charges could be completed by 1 July 2023. Stormwater charges recovered through CCCW bills could remain constant at the current level up to that time. PIAC notes IPART is currently considering a special rate variation for CCC, and this may present an opportunity to make the adjustments required to expedite the transfer of stormwater cost recovery.

Draft prices and bill impacts

PIAC understands that price increases will be necessary to address CCCWs legacy of underinvestment and unacceptable performance. The Draft highlights a range of complex issues and IPART must balance CCCW's need to raise performance with the interests of the community and the need to ensure affordable and equitable billing. PIAC considers there are opportunities

to balance these better. We recommend the following principles to inform IPARTs decision-making:

- The community has consistently expressed a preference for bill increases to be smoothed evenly over a determination period to mitigate the impact in any one year. The Draft provides further evidence of this.
- CCCW performance has not met community expectations in recent years and community confidence and trust in CCCW is at a low level. The Draft and public hearings have provided evidence of this. Measures to improve performance will take time to demonstrate results to the community and impact their confidence. Upfront bill impacts could undermine this.
- The Community has consistently expressed a preference for costs to be recovered through usage charges where possible, to ensure people have more ability to control their costs by controlling their usage. The Draft provides further evidence supporting this.
- Price increases in the first year have a greater consumer impact than those later in the period. This is a result of the greater predictability of increases in the first year, where the relative impact of prices in later years is less known (for example due to unknown increases in wages, inflation, or other changes in key economic or household factors).
- Cost of living issues have become more apparent in 2022 due to local and international drivers of inflation, rapid rises in house-prices and rent, and the prospect of interest rate increases in the short term. Where possible this should be considered in decisions regarding how costs are recovered over the determination.
- Performance and prices of Sydney and Hunter Water can be used as a benchmark comparator for CCCW. While there are differences in scale and structure of operation, the community has similar performance and price expectations.

These principles are not adequately reflected in the Draft. PIAC recommends amendments to IPARTs draft recommendations to address the issues IPART has identified more consistently, in line with community preferences. This includes:

- Accelerating the transfer of the recovery of all stormwater costs to CCC rates by no later than 1 July 2023, with the current stormwater cost recovery by CCCW continuing to apply until this point. IPARTs concurrent consideration of a special variation of CCC rates should be used as an opportunity to ensure this can be accommodated without unreasonable revenue shortfall for CCC.
- Smoothing any bill increases more evenly over the determination period to ensure increases in the first year are mitigated.
- Re-evaluating the balance of cost recovery, to recover more from usage charges. Recovering significant cost increases from fixed charges goes against established community preferences and unreasonably impacts small users and groups who experience affordability issues.

- Initiating a state-wide review of rebates, concessions, and payment assistance measures for residential water users in NSW. Unlike in energy, there is no consistency in support offered to NSW households for their essential water needs, and no consistent framework for the provision of assistance by water utilities and local water utilities. IPART should recommend a comprehensive review rather than a review of rebates applying only to CCCW consumers.
- Implement criteria for performance auditing and review immediately, using criteria applied to Sydney and Hunter water. The request to the minister should ensure an IPART audit in 2023, with a parallel process initiated to make any legislative changes required to bring CCCW into line with Hunter and Sydney Water. This should ensure they have equivalent requirements for performance and reporting, audited annually by IPART.

Fixed versus usage cost recovery

PIAC does not support the proposed balance of increased charges and considers there is scope to recover more of the cost increases through usage charges. The Draft recognises the community preference for usage-based charges but does not provide an explanation why cost increases have not been balanced that way. More than doubling the water service charge in the first year and tripling service charges over the course of the determination while holding usage charges steady is not an appropriate balance. PIAC considers this exacerbates affordability concerns for many in the community.

PIAC understands that cost increases for CCCW are related to aspects which are largely fixed, but we do not consider it necessary for the fixed costs to be recovered through fixed charges. The current usage charges for Sydney and Hunter Water range from \$2.35 to \$2.52/kL. Wastewater usage charges for Sydney Water are also substantially higher than those proposed for CCCW. Given that IPART noted the comparative level of charges in these utilities, there is scope to increase CCCW usage charges (both water and wastewater) to achieve lower service charge increases (particularly in the early years) and enable households to mitigate the impact of price rises on bills. This would also be in line with long-established community preferences.

Concessions and payment assistance measures.

PIAC strongly supports IPART's recommendation that the NSW government undertake a review of water and wastewater concessions. However, this does not go far enough. NSW needs a comprehensive state-wide assessment of rebates and concessions supporting household water use. It should also consider protections and payment assistance measures provided by water utilities and local water utilities.

Unlike in energy, an essential service of similar importance to health and wellbeing, there is no consistent framework for the provision of support for NSW household water consumers by the NSW Government and water utilities. All NSW households should be eligible for consistent rebate and concession support regardless of who provides their water. Similarly, the providers of their essential water services should be required to meet consistent obligations for the provision of hardship and payment assistance measures. IPART should strongly recommend a comprehensive state-wide review of both, as a matter of urgency.

IPARTs recommendation that CCCW promote hardship programs is not sufficient in the context of the bill increases expected. CCCW should have to provide IPART with an affordability strategy to address the needs of the community and help them manage the bill impacts of measures required to address CCCWs historic underperformance. This plan should identify a suite of measures CCCW will implement to proactively address impacts on the community. This could include:

- Developing bill smoothing and monthly payment products that help households to pay regular and more affordable amounts to mitigate the impact of large bills. These products should be offered widely to all customers.
- Proactively identifying households experiencing payment difficulty and offering additional support measures. Identifiers could include households restricted or threatened with restriction in the past 12 months, households with debt arrears, and households who have paid late over the past 12 months.
- Developing measures to identify and assist tenants.
- Developing and promoting programs to assist households address leaks and improve water efficiency.

Further consultation

PIAC welcomes the opportunity to meet with IPART and Central Coast Council Water to discuss any aspects of the Draft.