

Independent Pricing and Regulatory Tribunal NSW

### Submission- Review of pricing for Water NSW bulk water services

Wingecarribee Shire Council (Council) welcomes the opportunity to provide a further submission on the review of pricing for Water NSW bulk water services, specifically on those elements that relate to our experience in operations as a Local Water Utility discussed in Chapter 8, and the proposed changes as detailed in the Greater Sydney Region determination information paper.

Wingecarribee Shire Council supports the position to make a 3-year term Water NSW price determination but objects to the proposed determination (fixed and variable) prices believing they are unjustified with a percentage annual change at 13.1%, particularly when compounded over the term at 37.8% to 27/28. These costs will be directly passed to residents connected to the local water network. The financial representation of the impact of the changes is also underplayed due to the disputed estimates of drought and non-drought levels of water demand. We seek understanding and support for our community, particularly in those tough times of drought when we support the off-grid community also.

Council provides water services to the Wingecarribee Shire Local Government Area and is one of 89 local government owned water utilities (LWU) in regional NSW. More information at: [www.wsc.nsw.gov.au](http://www.wsc.nsw.gov.au)

#### Wingecarribee Shire Council key information

Circa 20,500 metered water connections	2,700 square kilometres
2 Water Treatment Plants (50MLD)	17 pump stations
5 GL per annum of water supplied	715km of water pipe distribution network
\$500 million total asset replacement cost	

Council provides water services for the community across three main town areas and ten main regional villages. These services extend to approximately 45,000 people directly connected to the water network. However, the community served exceeds 50,000 in real terms during drought conditions and this is one of Councils main issues with the draft determination projections.

Local Water utility costs are covered by pricing set for cost recovery and both drought and wet weather have significant impacts of costs and/or revenue. During 2019/20 the drought saw enormous stress placed on Councils water supply. Potable water usage **increased** significantly during this period due to factors including: 15% of the Shires residences being off grid and relying on Councils Water Filling Stations for water when their storage was exhausted. This observed and understood increase contradicts the Water NSW forecasts so we reject drought demand being significantly lower than non-drought forecasts.

In a future 27/28 drought scenario calculation for illustrative purposes, Councils current forecast production increases by 15% resulting in an annual bill surpassing \$2.16M. This notably higher than the same scenario exercise calculated using WaterNSW forecast volumes which results in a bill of \$1.98M. Both scenarios are much higher than Councils real 24/25 bill of less than \$1.5M.

Council also forecasts significantly higher non-drought demand volumes than the Water NSW projection. The last two years actual raw water volumes are 8 and 10% higher than current Water NSW forecasts and is

compounded by no allowance for growth, despite consistent forecast growth for the region. The last four years actual raw water volumes indicate an increase by an average 5.6% per year, explaining our 5% forecast rise in production figure (see below)

Water Volumes (ML)										
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Non drought										
Water NSW forecast								4748	4748	4748
WSC Raw			4887	4441	4676	5118	5222			
% increase on previous year					5.3	9.5	2.0			
WSC forecast production							4835	5076.8	5330.6	5597.2
Drought										
Water NSW forecast								4341	4368	4396
WSC Raw	5477	5670								

Council is currently faced with the enormous challenge of upgrading water infrastructure, including the Wingecarribee Water Treatment Plant at Wingecarribee Dam, to ensure capacity for a growing population, plus duplication of a key trunk main and significant network renewal to maintain water supply security for the community. Separate to capital costs, Council experiences continually increased costs related to the operation and maintenance of infrastructure. For example, the cost of chemicals for water treatment have risen substantially, as have electricity prices for the operation of key assets like treatment plants and pump stations. These costs continue to increase at rates higher than increases in water charges that we can reasonably pass on to our community. Changing legislation without adequate consideration to an LWU's ability to pay can further exacerbate the situation e.g. iPART Dam Safety NSW levy.

Councils raw water supply is quickly becoming limited to having Water NSW as a sole supplier. Councils experience is evolving from one of Water NSW providing a security net scenario, to one of a monopoly holding the community to ransom in a financial climate where residents are already experiencing a cost-of-living crisis. In the current economic climate, rising costs need to be limited to justified essentials, not an opportunity to claw back for non-commercial essentials or a legacy maintenance gap. We request that the forecast estimates for both drought and non-drought volumes be revised to better represent the reality we have experienced, plus illustrate a natural year on year growth, not a static figure. These changes will demonstrate the financial impacts transparently, not being masked by percentage values.

Most importantly, we request that the proposed price increases be revised to better reflect more accurate forecast volumes, incorporate growth, and the impact on smaller communities reduced economies of scale and ability to pay.

This pricing review being considered by IPART is a further burden on the economy of our LWU service for the community. We welcome the opportunity to provide feedback on the current proposals being considered, to help solidify and make financially secure the safety and security of the essential service that we provide the community and environment that we serve.

Thank you for the opportunity to make this submission.

Yours sincerely



**Clinton McAlister**

Director Service and Project Delivery

