

Independent Pricing and Regulatory Tribunal NSW

**Subject: Submission- Review of pricing for Water NSW bulk water services**

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

Wingecarribee Shire Council welcomes the Tribunals proposal to undergo further assessment of the Water NSW proposal. Council supports the interim position to make a 3-year Water NSW price determination based on the proposed determination prices with inflation to enable:

- A review of the justification of expenditure and the current operating model, incorporating a wholistic ability to pay assessment noting that impacts will be directly passed to residents, and
- Revision of the forecast volumetric figures, as the presented figures are below actual experience and have the potential to adversely impact position on billing (Table 6.1 forecast volumetric figures and Table 6.2 forecast impact on billing)

Council agrees that the Water NSW operating model should be reviewed given Water NSW is expected to operate as a commercial entity, providing a dividend to government, but is providing an essential service and is burdened with non-commercial activities, with community service obligations better funded by government.

Council provides water services to the Wingecarribee Shire Local Government Area. Wingecarribee Shire Council is one of 89 local government owned water utilities (LWU) in regional NSW. Further information about us can be found 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.

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 increase contradicts the Water NSW Table 6.1 forecasts which indicates drought demand being significantly lower than non-drought forecasts where demand was 22.5% higher than the forecast by Water NSW for 2025/26.

Council also forecasts significantly higher non-drought demand volumes than the Water NSW projection. Recent years actual volumes are 5% higher than current Water NSW forecasts and is compounded by no allowance for growth., despite consistent forecast growth for the region.

The requirement to meet Health based targets in the Australian Drinking Water Guidelines was mandated through the Public Health Act. Although this addresses water quality concerns, it adds costs to councils, particularly those with highly disturbed catchments. This adds additional treatment requirements for Council to meet for existing and new facilities requiring additional capital works and subsequent additional operational costs.

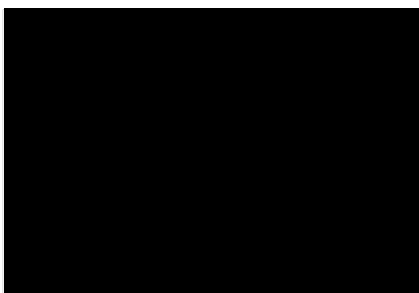
Council is currently faced with the enormous challenge of upgrading water infrastructure, including a water treatment plant to ensure capacity for a growing population duplication of a key trunk mains and a significant network replacements to maintain water supply security for the community. Separate to capital costs, Councils 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.

This pricing review being considered by IPART with the proposed Water NSW increase is a potential 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 and the proposed delay in price increases, 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



## Discussion Paper Responses

### List of draft decisions:

1. WSC is supportive of the three-year set period and delay in commencement.
2. WSC is supportive of the three-year set period pricing approach.
3. WSC is supportive of the second- and third-year pricing increase being limited to inflation. The first-year increase of >10% in real terms is still a substantial increase which will impact our community, amplified through the second and third year.
4. WSC **rejects** the forecast volumes in table 6.1 as unrepresentative of our community figures, being below the estimates provided by Council to WaterNSW in our Water Supply Agreement. The figures for drought are substantially below the realities Council experienced in the 2019/2020 drought by 22.5% . During drought, the 15% of residences in the Shire that are off grid are reliant on Councils water supply to survive as their storages run dry. Both of these climate scenarios in Table 6.1 with corrected demand forecasts will substantially alter the billing impact estimates in Table 6.2.

### Issues for comment:

1. WSC is supportive of the three-year set period and delay in commencement.
2. Focus on the strategic discussions with the NSW Government to review the Water NSW operating model. This should focus particularly on the separation of commercial and non-commercial aspects of operation, with the view to separating customer supply price elements from the essential community service obligations of water security, safety, environment and social outcomes, which may be better funded by government. Water NSW should also revisit the forecast demand elements of the proposal, given the counterintuitive forecast of reducing volumes, despite real indications of growth fuelling a projected rising demand, particularly in drought periods.
3. Significant capital upgrades should not be burdened as a short-term lump sum. Longer term financial planning should be used to smooth the curve of such requirements. The community should not be suddenly burdened with a legacy of underinvestment or maintenance delay to make up on poor financial planning.
4. The current economic environment of cost-of-living crisis and the communities ability to pay should be at the forefront of decision making, given that any pricing increases will have to be passed on directly to our community as we are a not for profit Local Water Utility.
5. N/A
6. N/A
7. N/A
8. N/A
9. WSC is supportive of the interim pricing decisions to facilitate Water NSW essential community service.

