



Central Coast Council water price review –  
Information Webinar for MP's

## Transcript

26 August 2021

Water >>

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## **Tribunal Members**

The Tribunal members for this review are:

Ms Carmel Donnelly, Chair  
Ms Deborah Cope  
Ms Sandra Gamble

Members of the Secretariat for this review are:

Ms Sheridan Rapmund, Mr Scott Chapman, Ms Jessica Forrest, Ms Carol Lin, Ms Kristy Mamaril and Mr Son Vu.

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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 Central Coast Council water price review – Information Webinar

## 1.1 Welcome

**Mr Chapman:** Okay let's get started for now. Good morning everyone and let's make a start. Thank you for joining us today and welcome to today's information webinar.

IPART acknowledges the traditional owners of the lands on which we meet and the traditional owners of lands and waters from which we are all dialling in for this video conference today. We pay our respects to their Elders, past, present and future. We acknowledge the ongoing connection that Aboriginal people have to this land and recognise Aboriginal people as its original custodians. We would also like to acknowledge any Aboriginal or Torres Strait Island people who are here present today.

My name is Scott Chapman I'm a Principal Analyst at the Independent Pricing and Regulatory Tribunal (IPART) and I'm leading the Central Coast Council water price review this year. With me today is the review team including Sheridan Rapmund, Jessica Forrest, Carol Lin and Kristy Mamaril.

I'll be managing the information webinar today, so I'll start with a few housekeeping notes. Can you please keep your microphone muted if possible, when you're not speaking to avoid feedback and background noise. We encourage you to keep your cameras on if your internet connection is up to it and you're comfortable doing so it helps us all to connect in this virtual reality we're living in. And to ensure that we have an accurate record of the feedback we received today this webinar is being recorded live to YouTube, however it won't be made publicly available until after the event and we'll place a copy of the YouTube recording on our website in a few days. If those present could please just quickly introduce yourselves with your name, organisation and responsibilities, I think David that's you?

**Mr Mehan:** Am I the only one? David Mehan.

**Mr Chapman:** At this point

**Mr Mehan:** Statesman of The Entrance, thanks for thanks for having me.

**Mr Chapman:** No problem, thank you.

So, thanks for attending our information webinar. We also received an Information Paper on our water review process, released an Information Paper sorry on our water review process for Central Coast Council on Friday the 6th of August.

Today we'll begin with a short presentation about our process for the upcoming review of Central Coast Council's water prices. Following that, we will open a Q and A discussion to the floor, to give the opportunity to ask IPART questions or provide comments. Everyone's encouraged to share your views or ask questions; you can use the chat box function in teams or raise your hand with the raise your hand function.

We'll be taking questions at the end of this presentation, but you can type your questions into the chat box at any time. I'll now hand over to Kristy Mamaril to begin our presentation, thanks Kristy.

## 1.2 IPART secretariat presentation

**Ms Mamaril:** Thank you Scott. Good morning my name is Kristy Mamaril and I will begin with the first part of the presentation. So, we at IPART set the maximum prices the Central Coast Council can charge for the water, wastewater, stormwater and other related services it provides in its capacity as a Water Supply Authority.

Central Coast Council is the only council whose water prices we regulate. We set prices for other water businesses including Sydney Water and Hunter Water, but we do not set prices for the water businesses of other councils in NSW or other local water utilities in NSW.

To set prices we apply a standard water price review process. This process is applied to all the water businesses we are required to regulate. Our price review process is different to our special variations process. Our special variations process looks at the council's general income from general activities which affects council rates. Our water price review on the other hand looks at the council's water business and setting water prices.

Our standard water price review allows us to promote the long-term interests of customers. It ensures that decisions are based on the best available information. That we engage with the community and are transparent. That we create incentives for the council to be more efficient and customer focused, and that we meet our legislative responsibilities.

Our review of Central Coast Council water prices will run from September 2021 to May 2022. It will involve a public consultation process, a review of the council's costs and analysis, considerations and decisions made by the Tribunal.

We will apply our public consultation process and engage with the community at various stages throughout the review. We start off by asking the council for certain information and in response it submits a written pricing proposal. Once we receive the council's proposal, we will publish it and then our review of prices begins.

We will release an Issues Paper and seek community feedback, and this is followed by a public hearing. Our water review process requires holding at least one public hearing but for our Central Coast Council water price review we will be holding two.

After our first public hearing we will consider all feedback to develop our Draft Report and Draft Determination of prices. Once we publish these drafts, we will seek feedback again and then we will hold a second public hearing. We will consider all feedback, which will involve balancing opposing views and we will then develop and publish our Final Report and Final Determination.

Our process allows for informed decision making. We will provide multiple opportunities to engage and consult with the community through seeking submissions and holding two public hearings. And this is to ensure we have listened to the community and have understood their views to inform our decisions.

We also engage with the council. We engage with the council to ensure we have the best of available information to inform our decision. We engage with the council to collect and verify information relating to costs, income, prices and bills, and the information it may have on customer preferences. And we'll assess this information for accuracy and completeness. We also provide guidance on process, technical issues, and information and data requirements.

It is standard process to engage with the community and with those who we review prices for. We undertake the same process when setting prices for other water businesses and engage with them for the same reason, to collect information, to collect and verify information, and to provide guidance.

We will also engage with consultants. We engage with consultants for advice on the council's costs and what these costs should be and how much the council requires to recover these costs. These consultants will work for, take direction and report to IPART. Our engagement with the community, council and consultants, helps us to determine prices.

I will now hand over to my colleague Jess, who will continue with our presentation on our water price review process with the key steps and decisions involved, thank you very much.

**Ms Forrest:** Thanks Kristy. Good morning, my name is Jess Forrest. So, there are several key steps and decisions in our review process. First, we decide for how long prices that will be set. Next, we will review costs and set the council's required income. This required income reflects what is needed for the council to cover its costs of providing water, wastewater and stormwater services. Then, we decide on how the prices should be structured for example, by setting separate service prices which are fixed and usage prices which are charged based on how much a customer uses. We then set prices that allow the council to meet its required income. This is based on forecast customer numbers and water sales. We also consider the impacts of these prices to ensure they are fair and reasonable and may adjust prices when necessary.

Our goal is to ensure Central Coast Council customers pay the right amount. We aim to ensure we set prices that are fair and reasonable. While there are a range of matters that we consider including those under section 15 of the IPART Act, for this review our key considerations are what the cost should be. We look at the cost of providing good quality healthy drinking water and treating wastewater and stormwater safely and consider whether these costs are reasonable and how they compare with the costs of other water businesses.

We also look at the impacts on customers' bills and affordability and at the same time consider the long-term financial viability of an impact on the council.

We also look at impacts on service standards and consider the council's business systems, for example, how their performance might be impacted. We also look at impacts on the environment and climate change in line with IPART's strategic plan.

We consider costs to determine what the council's income should be so that it can run a viable and sustainable water business. For this we use a building block approach. This requires us to first look at what the cost should be to deliver the council's services. We look at what the costs are to provide Central Coast Council customers with good quality healthy drinking water and to treat their wastewater and stormwater safely. For example, we look at what the cost of maintaining pipes and building what is needed to deliver these services. This includes the council's operating expenditure, interest, depreciation, taxation and working capital.

Together these comprise what we call the notional revenue requirement, and this is what we use to determine prices. This is the amount needed for the council to run its water business viably and sustainably.

Our water price review only considers the council's water, wastewater and stormwater services for which we set maximum prices. Our special variations process on the other hand looks at the council's general income including most of its activities, but excludes water, wastewater and stormwater.

While we seek stakeholder feedback and request information from the council in both processes, we don't hold public hearings for special variation processes or provide a Draft Report. This is because the special variations process is much shorter typically only 3 months, whereas our water price review process on the other hand will span about 8 months. Providing more time and opportunity for engagement with the community.

I'll conclude our presentation today with our timeline. We expect to receive the council's proposal in September, and we'll release an Issues Paper shortly after that, which will seek submissions to until about late October. We will hold our first public hearing in October or November and then publish our Draft Report in March, which we will also seek submissions to for about 4 weeks. We will hold the second public hearing in March or April, and then we will release our Final Report in May. Prices will then apply from 1 July 2022.

Thank you for your time I'll hand back over to Scott now to invite questions and comments, and let you best know how to do that, thank you.

### 1.3 Question and answer session

**Mr Chapman:** Thanks Jess, let's open the floor now to discussion or any questions.

Just to let you know David, you're still the only one here, but we ran around another one of these information sessions for the general public on Tuesday, and there were sort of 30 to 40 people there.

**Mr Mehan:** Oh ok, that's interesting, well that's good. I assume well my colleagues had the opportunity. I guess in general, can you enlighten me as to why council, you only set prices for this council, and Sydney Water and Hunter Water. I understand it's because the council's under the Water Management Act, are you familiar why we're under the Water Management Act and other councils who do their own water and sewer are not?

**Mr Chapman:** It's not just because you're under the Water Management Act, it's because the Minister or the Premier has declared you a government monopoly, for which we have reference to set my monopoly prices for.

**Mr Mehan:** Okay.

**Mr Chapman:** And the history of that is probably that you were big enough. We used to set Gosford and Wyong by themselves, so we treated those individually. Now they're combined, it's one council, obviously a sandwich between Hunter and Sydney Water, the 2 big state-owned corporations, water utilities. So that was probably the reason.

It's also that you know your Central Coast itself is 3 times larger basically than the next largest council water utility, which I think is Shoalhaven so.

**Mr Mehan:** Yep, okay right. So, they set their own water and sewage charges there, without reference to any independent...

**Mr Chapman:** They do have the power to set their own prices. They do have, there is some oversight and regulation from DPIE, the Department of Planning, Infrastructure and Environment (DPIE). But in terms of having the power to set maximum prices, no one does that for those other councils at this stage, with the exception of Broken Hill sorry I apologise. Broken Hill is not a council Essential Energy runs the water utility in Broken Hill and we do set the maximum prices for that also.

**Mr Mehan:** Oh okay. The other issue is now we're not a corporation Newcastle and Hunter, well Hunter and Sydney are, and I noted the graph in terms of how you determine the price. Is there any element in your price determination for the council that is required to allow for council to make a profit on its service?

**Mr Chapman:** Typically, when we set prices and I can see my internet is a bit sporadic so if I am a bit in and out, I apologise. We set prices to recover the full economic costs of a business and that generally includes covering things like interest payments, and also a return on equity or a benchmark return on equity, which is kind of like a little bit of profit. It's the sort of profit that an efficient business in a competitive market would have to make to be viable basically, to make sure that it's returning enough money to its shareholders, a minimal amount, because it's a low-risk business but some to keep it viable.

And it's partly as part of our requirements under our Act to consider things like competitive neutrality. It's basically looking at full economic costs, and I can have a long conversation with you about that if you're interested, but typically that's what we would do.

**Mr Mehan:** Yeah okay all right well that helps. And so you'll be determining the or do you determine whether there's a standing charge, so the service charge plus a usage, you know per litre charge, or is that something that's guided by what council would prefer to, our council would prefer to structure it.

**Mr Chapman:** Certainly, council will put that proposal to us about how it structures it's fixed versus variable charges. It is our role and we do make the final decision on, typically do make the final decision on setting hard prices. We don't necessarily have to do that, there are some cases in some industries where economic regulators have not set prices, but have set for instance a revenue cap and the utility or whatever business being regulated does have some flexibility within that revenue cap to structure its own prices. Typically, with water though, historically we've almost always set the prices themselves.

**Mr Mehan:** Alright.

**Mr Chapman:** And I would anticipate that we will do it again probably.

**Mr Mehan:** Alright. But you're doing the sewer and the drainage charge as well aren't you?

**Mr Chapman:** Yep, so we do, that's right. So, sewer, sewage or wastewater supply and stormwater yes.



**Mr Mehan:** Yeah okay, do you, because one of the well, I'll use the word controversy, but it's one of the gripes a lot of people have in this council areas because they're on properties, and they some of them, seem to be or some are required to with pay or contribute to the drainage charge, there are others who aren't. I always have a personal view that everybody should be paying the damn thing, but none of them want to. Do you determine in your decision whether that's applied across the Coast or whether council allocates them to some sort of drainage area?

**Mr Chapman:** We would typically be I guess heavily involved in setting who does and does not pay, but it would definitely depend on a number of things. A, who is receiving a service and incurring the cost of that service. For instance, there might be, and I don't know the details of it at this stage, but there might be certain land holders or properties in Central Coast that don't have access or don't use council's infrastructure. So, their basically stormwater pipes and things like that.

In those cases, we would certainly pay very close attention as to whether they're actually incurring getting a service from any of the costs that council's incurring and whether they should be compelled to pay for those.

**Mr Mehan:** Alright, yeah okay well I mean yeah all right well I guess that'll unfold. I mean there's a general view amongst those people, unless they've got a curb and gutter out the front, they shouldn't have to pay anything. I guess I've got the view that the water from their properties does end up in the lake and at some stage, and everybody needs to make some contribution to that. So, I guess that's how things will unfold.

Now the last determination and council this is a bit of a problem for council, all of the all of the costs were reduced quite significantly. I was just looking through my old bills here I mean back in 2011 my sewer charge was \$120 a year, now it's only \$90. My water was \$40 now it's \$21. Stormwater was \$32 now it's \$26.

Now the unit charge for water went up from 2011 it got to a peak of \$2.29 and in the last determination that came back down to \$2.07. Was there a sort of a general reason why that was the case? I mean council tends to tell us that well we didn't put in a very good submission, but notwithstanding that I mean costs are costs, is it difficult to determine the costs for our council because we run our own water and sewer and we're not sort of a standalone in that regard.

**Mr Chapman:** It's not so much about who does or does not own the utility, or who is or is not running it, and I can see my internet is jumping in and out again, it's about council being able to [inaudible] I would probably do play very close regard to council's proposal, but the need to spend money that is proposed to spend to deliver the services it needs to deliver, there are other factors that affected downward trends. Last time one of those was the you know falling interest rates essentially whether you can still hear me or not.

**Mr Mehan:** I can see yeah.

**Mr Chapman:** Yeah sorry. I wonder if someone else can take over on this.

**Ms Rapmund:** One of the other factors last time was that council hadn't delivered on a lot of their capital expenditure and so we didn't want customers to pay for that twice. So that was sort of taken out I suppose of their cost base, because that hadn't actually been spent on the projects that that indicated they were going to spend that on so that was another factor I think in the probably the decrease I suppose in prices we experienced.

**Mr Mehan:** Oh okay, when you and I mean I went through it last time there didn't seem to be a lot of comparison with the other water and sewer providers like Sydney and Hunter. I mean I can do my own comparison, but sometimes I think it's helpful for my constituents a lot of them think they're paying an awful lot of money, and in reality, they're not compared to a lot of other places. It would be helpful maybe if you could provide that sort of information as well when you put out public information.

I guess the only other thing that causes me questions is how do you well, is council allowed because they've got a whole bunch of staff who could do useful work for the general council, but they could do useful work for the water and sewer business as well, is that allowed for in your determination?

**Ms Rapmund:** Yes, so we do look at the allocation I suppose of shared costs and things like that between the different business units of the council. And that's something we'll have a consultant come in and give us advice on. They'll come and look at those costs and how they're allocated and what functionally, sort of pieces of work people are doing, and contributing to, and which portion of those costs should be borne by the water business and recovered through the water prices, as opposed to through the council's other general rates functions.

So, the council can do that, however we will look at the costs and only make sure the costs that are directly being used in the water business are recovered through those prices. The council can't just have a water employee going off and doing work for roads and things like that and have that recovered through water prices. That's not something that we would permit within our pricing.

**Mr Mehan:** Oh, okay alright, well look I think that's all I've got. I do appreciate you providing the time to, was there anything that came, well just very quickly was there anything that came out of the consultation with the community members earlier on in the month that stood out for you, or is an issue that needs to be addressed in your report?

**Ms Rapmund:** I think we found them to be very engaged which is a real positive. There's a big call for transparency around the process. There was some sort of sense of distrust of the council and other parts of government, and that they the customers would really like to see us run a transparent process where they can be fully involved in that, they can have their say and they want to know that we actually take into account what they say.

And so I think we see your role as sort of feeding into that as well that assisting us in helping collect their views, make representations on behalf of them, and also encourage them to put forward their own views, and we can then take them into account in our process.

There are a few other concerns raised around the stormwater, which you also alluded to. Some water quality issues that some pockets of the area are experiencing. It was basically a very vast number of topics came up in the session that we ran, and different people raised different issues. Some had a more informed I suppose response than others.

Holding the council to account was sort of a strong theme as well that we want to make sure the council's operating efficiently and we are going to look at that and we are going to make sure that only those efficient, the efficient level of costs, or costs that an efficient business would incur are recovered through the prices, not necessarily the costs that the council might be incurring.

It's about looking at the efficient level of costs, and what it should cost to do these things, and provide that the level of service that is required.

**Mr Mehan:** Alright, well look, thanks so much, and look I'd really welcome pretty much receiving through my office your updates so that I can keep on top of that, and let people know through my social media and newsletters and whatever what you're up to as well, and try and keep people informed and happy, as happy as they can be, but thanks so much. I have nothing else, so I'm going to sign off.

**Ms Rapmund:** Yes, thanks very much for coming along today and we'll certainly keep you in the loop.

**Mr Mehan:** Thanks for having me along.