



DEUS Ref: S05/73

Mr Jim Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230

08 SEP 2005

Dear Mr Cox

I am writing to provide the following comments from the Department of Energy, Utilities and Sustainability (DEUS) in response to the Tribunal's Issues Paper on "Pricing of Backlog Sewerage Services for Gosford City Council" of August 2005.

It is considered important to bear in mind that the 'substantial environmental and public health benefits to both the local and the wider community' noted in the Tribunal's Determination 4.1 (page 7 of Issues Paper) also apply to all of Gosford Council's 607 lots in the Priority Sewerage Program (PSP) (page 14 of the Issues Paper).

In reference to the final paragraph of page 12 of the Issues Paper in regard to equity considerations within the Gosford area of operations, it is considered the Tribunal's review should also have regard to equity considerations with areas in the PSP within Sydney, Hunter and Wyong where, as a result of the \$3000 per property subsidy under the PSP, no capital contributions are now required from the residents for provision of a backlog sewerage service.

It is considered that the 3rd paragraph of page 18 of the Issues Paper is not applicable to Gosford Council's 607 lots in the PSP as all of these lots have been classified as Category A by the EPA (page 10 of Issues paper).

Option 2 on page 18 of the Issues Paper, considers a special rate for Mooney Mooney and for Cheero Point. However, the PSP within Gosford City also covers Bar Point, Bensville and Sth Kincumber, Little Wobby Beach and Patonga Creek as noted on page 5 of the Issues Paper. It is therefore suggested that the Tribunal consider expanding Option 2 in the Issues Paper to also include a basis for determining backlog sewerage charges for these communities.

../2

On page 18, the Tribunal raises concerns in regard to the creation of undesirable cross subsidies within the Gosford area if the capital contribution for residents of Mooney Mooney and Cheero Point is reduced. However, it is considered that such concerns are counterbalanced by the need to provide affordable sewerage services where there are substantial environmental and public health benefits to the wider community. Accordingly, the Tribunal's Determination 4.1 has provided such cross subsidies within the PSP areas of Sydney, Hunter and Wyong.

Your attention is also drawn to Table A3.1 on page 22 of the Issues Paper. After the 5th line in the 2nd row under "GCC, Did not contribute to GCC Sewerage Financing Scheme", should be added "less any contribution by Government". In the case of Mooney Mooney and Cheero Point, the Government contribution is \$3000 per lot from the PSP program plus 50 % of the remaining backlog sewerage capital cost. Also there are two typographical errors - the heading under HWC should read "HWC Sewerage Project Priority Area¹" and "indented" in note 2 should read "intended".

Should you wish to further clarify these matters, please contact the Department's Sam Samra on 8281 7435.

Yours sincerely



David Nemptzow
Director-General