

SYDNEY WATER CORPORATION

PRICES FOR MISCELLANEOUS CUSTOMER SERVICES

INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

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INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

**REPORT TO THE PREMIER ON THE DETERMINATION OF MAXIMUM PRICE UNDER
SECTION 11(1) OF THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL ACT,
1992**

Matter No: SRD/96/04

Report: No 3, 1997

Agencies: Sydney Water Corporation Ltd

Services: Water supply, sewerage and drainage services - miscellaneous services.

Declaration of government monopoly services under Section 4 of the Act:

Order dated 27 August 1992 – page 6431, Gazette No. 105, revised by Order dated 14 February 1997 - page 558-559, Gazette No.18

Background

In June 1996 in Determination No. 6, 1996, the Tribunal determined the maximum prices to apply to Sydney Water Corporation's (SWC's) core operations for the period 1 July 1996 to 30 June 2000. At that time, the Tribunal deferred a decision on SWC's maximum miscellaneous charges pending SWC undertaking a review in consultation with major interest groups. In the interim charges were to remain at the existing levels.

The Tribunal has received the results of that review and, under matter SRD/96/04, has now determined maximum prices for miscellaneous customer to apply from 1 October 1997.

1 INTRODUCTION

As required by section 11(1) of the Independent Pricing and Regulatory Tribunal Act, the Independent Pricing and Regulatory Tribunal has investigated a proposal by the Sydney Water Corporation Limited (a standing reference agency in Schedule 1 of the Act) for maximum prices to be charged for miscellaneous customer services.

The Tribunal's determination of maximum prices for miscellaneous customer services to apply from 1 October 1997 is attached to this report.

2 THE PRICE DETERMINATION PROCESS

In early 1996 the Tribunal called for pricing proposals from Sydney Water Corporation (SWC) for consideration of a medium term price path for the provision of water, sewerage and drainage services. One of the pricing proposals from SWC was for amendment of charges for miscellaneous customer services. The Tribunal then invited interested parties to forward submissions addressing the SWC proposals and other issues relating to the pricing of services.

A public hearing was held on 19 April 1996 at the Sydney Hilton Hotel.

Copies of all submissions and a transcript of the hearing are available for inspection at the Tribunal's offices, Level 2, 44 Market Street, Sydney.

In the subsequent determination¹ the Tribunal decided that it would defer setting of maximum prices for miscellaneous customer services until SWC had received comments from relevant interest groups. The results² of the SWC consultation, along with a schedule of proposed charges for miscellaneous customer services, were submitted for Tribunal consideration in December 1996.

The Tribunal members who considered the determination of miscellaneous charges were:

Dr Thomas G Parry, Chairman

Mr James Cox, Full-time Member

Ms Liza Carver, Temporary Member

Mr Robert Bruce, Temporary Member

Ms Liza Carver was appointed as a temporary member of the Tribunal subsequent to the original determination of a medium term pricing path for Sydney Water Corporation in June 1996.

¹ Independent Pricing and Regulatory Tribunal, *Sydney Water Corporation, Prices of Water Supply, Sewerage and Drainage Services*, Determination No 6, 1996.

² Sydney Water, *Supplementary Proposal to the Independent Pricing and Regulatory Tribunal of New South Wales, Report on Customer Consultation - Miscellaneous Customer Services*, December 1996.

3 SUMMARY OF THE DETERMINATION

The Tribunal's determination of maximum prices for miscellaneous services to be charged by Sydney Water Corporation is summarised below.

- Charges for miscellaneous services for 1997/1998 are based on a cost reflective methodology.
- The Tribunal has determined that charges be derived using the existing margin for corporate overheads of 90% rather than a rate of 115% as proposed by SWC.
- There are 62 determined charges and when compared to the current list of charges:
 - 8 are new charges
 - 26 charges have remained at the same level
 - 23 charges have increased
 - 5 charges have decreased.
- The level of charges established by this determination will be frozen until the next major pricing review in 1999/2000.
- The use of a corporate overhead rate of 90% will be examined at the next major pricing review.
- SWC reports that some charges, such as charges for the *National Standards Plumbing Code and Certificate of Compliance* and charges for *Approvals for Lawn Watering Irrigation Systems*, have become contestable since the 1993 pricing review and SWC is investigating the potential contestability of 16 customer services. Should any of these services become contestable, the charges will cease to be regulated by the Tribunal.

The determination is made after consideration of the following:

- SWC's submission for a medium term pricing path in June 1996;
- SWC's supplementary pricing proposal document³ in December 1996;
- SWC's customer consultation process which is detailed in the supplementary document;
- the December 1996 determination of monopoly charges in the electricity industry;
- cost reflective pricing;
- matters referred to in section 15 of the IPART Act;
- contestability of the services.

³ Sydney Water, *Supplementary Proposal to the Independent Pricing and Regulatory Tribunal of New South Wales, Report on Customer Consultation - Miscellaneous Customer Services*, December 1996.

4 SUBMISSIONS

4.1 SWC pricing proposals

4.1.1 SWC proposed methodology

At the last pricing review in 1993 SWC adopted a “cost plus” methodology for the calculation of miscellaneous charges and has continued that practice in its current proposals. The methodology and derivation of proposed prices can be found in detail in SWC’s submission⁴ to the Tribunal in March 1996.

The price of miscellaneous charges is derived as:

$$\text{Customer service charge} = \text{base costs} + \text{material costs} + \text{commercial profit}$$

The costs can be broadly grouped into three categories:

Base costs consist of the direct cost of labour, transport and equipment, plus components for on-costs and corporate overheads. Labour is calculated using an hourly labour charge-out rate for the level of officer deemed appropriate to carry out the task for the time estimated to complete the task. The hourly labour charge-out rate consists of the annual wage of the officer adjusted for on-costs such as superannuation and then adjusted for the total number of “billable” hours per year. Corporate overheads are estimated by SWC to be 115% of the direct costs of labour, transport and equipment.

Material costs incorporate the direct cost of materials used but are not adjusted for overheads.

Commercial profit is incorporated by applying a 10% margin to the sum of the base cost and materials cost. However, if a physical asset forms part of the materials component (eg purchase of a meter) then the cost of the asset is not adjusted for profit. SWC explains that the commercial profit represents the opportunity cost of investing in customer services and is based on the long-term bond rate of 10%.

Furthermore, SWC comments that the development of the proposed charges was influenced by the following considerations:

- Price levels for miscellaneous customer services have remained unaltered since 1993.
- The Tribunal has recommended that SWC conduct its business on a cost-recovery basis.
- The proposed charges more accurately reflect the actual efficient cost incurred in delivering the services.
- Some of the services have moved from application based pricing to an hourly labour-based rate.
- Additional costs have been incurred as a result of higher levels of service.

⁴ Sydney Water, *Medium Term Pricing Submission*, March 1996, Volume 2, Section 10, pp 225 - 262.

4.1.2 SWC proposal for prices

In its submission SWC sought the determination of 62 charges of which 8 are charges for new services. Since the submission SWC has removed 2 charges from the list of proposed services. Adoption of the proposed charges would see 13 charges remaining at the current price level, 39 increasing and 2 decreasing.

SWC proposed that prices for miscellaneous customer services for the years beyond 1997/1998 move in line with changes in hourly labour rates (rather than the consumer price index) because labour is the major component of the cost of providing these services. SWC believes that the resulting charges would then assist in achieving the Tribunal's objective of setting charges to reflect actual costs.

The labour price index proposed is based on SWC calculations of efficient hourly labour costs (time multiplied by hourly rate) to ensure movements are driven by changes in hourly rates and not the time component. Material costs are proposed to vary in line with actual purchase costs.

Thus, miscellaneous charges for each year beyond 1997/1998 would be calculated by:

$$\text{Customer Service Charge} = [(BC * L) + MC] * (1+P)$$

where:

BC	Base cost in year 1995/96
L	Labour price index calculated as SWC current year corporate unit labour cost divided by 1995/96 SWC corporate unit labour cost (\$/hour)
MC	Exogenously determined current material costs
P	Commercial profit proxied by the long term bond rate of 10%

5 ISSUES CONSIDERED UNDER SECTION 15

Under section 15 of the Independent Pricing and Regulatory Tribunal Act 1992 (formerly the Government Pricing Tribunal Act 1992) the Tribunal is required to have regard to a number of matters and indicate what regard it has had to them. These matters are outlined below.

5.1 Costs, efficiency and quality

- *the cost of providing the services concerned [S15(1)(a)]*
- *the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers [S15(1)(e)]*
- *standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise) [S15(1)(l)].*

The Tribunal's determination of SWC prices⁵ for core activities of provision of water supply and sewerage and drainage services in June 1996 detailed that SWC had set targets to reduce underlying operating cost per property by 45% between the years 1992/1993 and 2000/2001. This would involve reductions in operating costs and particularly labour costs. Staffing levels have reduced from 9,000 employees in 1990 to 5,099 in June 1996.

In line with these efficiency improvements for core businesses, the Tribunal expects efficiency improvements can be achieved in the area of miscellaneous charges without any decrease in the quality of these services. This reasoning has influenced the Tribunal in limiting the increase in miscellaneous charges in this determination. The allowable margin for corporate overhead costs is the same level as determined in 1993. Additionally, the level of charges is fixed until the next major pricing review in 1999/2000.

The Tribunal believes that the overhead rate adopted, which is lower than SWC's proposal, is the appropriate measure to promote pricing that derives from efficient costs. However, in order to continue emphasis on efficient prices, the Tribunal will further review the issue of corporate overhead rates in the lead up to the 1999/2000 review.

5.2 Impact on consumers

- *the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services [S15(1)(b)]*
- *the effect on general price inflation over the medium term [S15(1)(d)]*
- *the need to promote competition in the supply of the services concerned [S15(1)(i)]*
- *the social impact of the determinations and recommendations [S15(1)(k)].*

This determination limits any increases in prices for miscellaneous services by maintaining the existing margin for corporate overhead costs of 90% and fixing the level of charges until the next major pricing review in 1999/2000.

⁵ Independent Pricing and Regulatory Tribunal, *Sydney Water Corporation, Prices of Water Supply, Sewerage and Drainage Services*, Determination No 6, 1996.

This determination only addresses those charges for services which are monopolistic ie customers have no choice in the supplier of those services. However, there are some services which are contestable and for the provision of which SWC has to compete in the market place. SWC is examining ways of allowing more services to be opened to competition. A list of examples of services which may become contestable in the future follows.

Customer services partially or potentially contestable

Item *Service*

Account, Property Information

- 2 Sewerage Service Diagrams
- 3 Sewer Reference Sheet (Aperture cards, benchmarks, details sheets)
- 4 Roof & Yard Water Certificate

Water Re-Connections

- 9 Performed during business hours
- 10 Performed outside business hours

Water Meter Services

- 11 Install protection on meter (materials additional)

Water Connections, Repairs and Maintenance

- 15 Water connections application fee/random audits by Sydney Water or Accredited Plumbers (materials and labour additional)
- 17 Watermain adjustment
- 18 Inserting sewer junction - application fee, cost of installation
- 19 Laying sewer sideline - application fee, cost of installation
- 21 Manhole/lamphole adjustment

Stormwater Connections, Repairs and Maintenance

- 25 Inspection of drainage lines (per hour)

Building Approvals, Systems Peg-outs, supervision

- 32 Approval for building plans not involving new connections
- 33 Approval for building plans involving new connections
- 34 Approval for building plans involving modified connections
- 36 Conducting peg-out

The Tribunal adopted the "user pays" principle in determination of core services for SWC in June 1996. This determination continues the emphasis of pricing set from efficient costs, which the Tribunal believes is the most equitable method of minimising the effects of pricing decisions on consumers of monopoly services.

5.3 Financial impacts on SWC

- *the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of NSW [S15(1)(c)]*
- *the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets [S15(1)(g)].*

The level of miscellaneous services revenue resulting from the prices set in this determination will be less than the level that would have resulted from the charges proposed by SWC. In its original submission to the Tribunal in March 1996, SWC estimated that adoption of its proposed levels of prices would generate miscellaneous services revenue of approximately \$19.7 million. These proposed prices incorporate a margin for corporate overheads of 115%. SWC estimates that the level of revenue generated from prices using a 90% corporate overhead rate would be \$17.4 million. This is a potential reduction of \$2.3 million as a result of this determination.

SWC total revenue in 1995/96 was approximately \$1.2 billion. It can be seen that the revenue received from miscellaneous charges is small in proportion to the overall total revenue received by SWC. The Tribunal believes that the adoption of a 90% corporate overhead rate will more closely reflect efficient costing of services. The Tribunal does not believe that the measures of restricting the corporate overhead rate to 90% and the fixing of prices until 1999/2000 will significantly impact on SWC's financial position, its rate of return, its ability to pay dividends to government or the need to renew or increase assets.

The Tribunal has also decided to review overhead recovery rates used in the setting of miscellaneous charges at the next major pricing review. At that pricing review, the total level of revenue needed by SWC to efficiently run its business will be determined. If the resulting revenue from miscellaneous charges is altered by the review, then the Tribunal may need to factor that impact into its determination of total revenue.

5.4 Matters not affected by this Determination

- *the need to maintain ecologically sustainable development (within the meaning of section 6 of the Protection of the Environment Administration Act 1991) by appropriate pricing policies that take account of all the feasible options available to protect the environment [S15(1)(f)]*
- *the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body [S15(1)(h)]*
- *considerations of demand management (including levels of demand) and least cost planning [S15(1)(j)].*

The Tribunal has had regard for the above matters but believes that this determination will not have any significant impact on them. Consequently the Tribunal does not make comment on these matters.

6 BASIS OF THE TRIBUNAL'S DETERMINATION

6.1 Background

Sydney Water's core businesses are the supply of water and disposal of sewerage and stormwater. It also provides a range of customer services in addition to these core functions. Some of these services are open to competition from other providers and some are regulated by legislative bodies other than the Tribunal. The Tribunal has therefore excluded them from its determinations. However a number of services remain that are supplied exclusively by Sydney Water and are consequently considered to be monopolistic in nature. It is these non-contestable services that are the subject of this determination.

The current prices for miscellaneous customer services were determined in 1993/94⁶ and were designed to more accurately reflect efficient costs. The objective of structuring prices to reflect the costs underlying them has been adopted by the Tribunal in determining prices for water supply, sewerage and drainage services. SWC believes that its proposals for the current determination will further advance this objective. Examination of the pricing proposals can be found in section 4.1 *SWC Pricing Proposals*.

The proposals were contained in SWC's submission to the Tribunal for determination of a medium term price path for prices of water supply, sewerage and drainage services in June 1996. The Tribunal, in that determination, requested SWC consult with relevant interest groups in relation to miscellaneous customer services charges and deferred determination of those charges until a later date. Subsequently SWC conducted the survey and the results are contained within the document titled *Supplementary Proposal to the Independent Pricing and Regulatory Tribunal of New South Wales*⁷ which was forwarded to the Tribunal for consideration in December 1996.

The Tribunal considered SWC's consultation with relevant interest groups and acknowledges Sydney Water's efforts in the consultation process, including a comprehensive survey. The customer consultation process conducted by SWC surveyed thirty-seven customer representatives of peak industry bodies and interest groups. The representatives were asked to comment on the impact the proposed variations to miscellaneous customer service charges might have on the industries they represent.

Overall, there were no major concerns about the proposed charges. There were a limited number of questions on charges that had increased at a rate in excess of the rate of inflation and some questions about specific charges. The results of the consultation process are detailed in section 6.2 *SWC Customer Consultation Process* following.

6.2 SWC customer consultation process

At the request of the Tribunal that relevant interest groups be involved in the development of prices for miscellaneous services, SWC consulted thirty-seven customer representatives of peak industry bodies and interest groups. The representatives were questioned on the impact the proposed variations to miscellaneous customer service charges might have on

⁶ Government Pricing Tribunal, *1993/94 Prices of Water Sewerage and Drainage Services*, Determination No 5, 1993.

⁷ Sydney Water, *Supplementary Proposal to the Independent Pricing and Regulatory Tribunal of New South Wales, Report on Customer Consultation - Miscellaneous Customer Services*, December 1996.

the industries they represent. Copies of the responses from the customer representatives and SWC's subsequent replies are contained within the *Supplementary Proposal*⁸ document forwarded to the Tribunal in December 1996.

SWC contacted all representatives by letter, accepting responses either in writing or verbally. Respondee were given six weeks to reply and SWC then made three follow up phone calls to those who did not reply within the six weeks. Twenty-five of the thirty-seven customer representatives responded either in writing or verbally.

For survey purposes, the customer representatives were categorised into four groups according to commonly used services (see below). The majority of respondees made no comment on the overall impact; some saw the increases as moderate. The response varied from group to group:

- 1 Legal profession and conveyancy
 - 7 out of 7 groups responded, 2 with specific comments or queries.
- 2 Plumbers, contractors, hydraulic engineers, metal and plastic industries
 - 8 of 11 replied, 3 responded with specific comments or queries
- 3 Builders, architects and structural engineers
 - 5 of 12 responded, 3 with specific comments or queries
- 4 Private and local government developers
 - 5 out of 7 responded, 2 with specific comments or queries

For any issues raised, SWC provided written replies with explanations where required. A summary of the most relevant issues together with SWC's responses follows.

- The Land Titles Office suggested that variations to Property Information fees should comply with Government Policy of Standard Dates (January 1 and July 1). SWC replied that IPART determines these dates but that normally they move on July 1.
- The Institute of Plumbing Australia believed that prices should not increase faster than inflation and the Royal Australian Institute of Architects questioned those increases in excess of the CPI. SWC replied that a significant influence on prices is labour rates and increases reflect changes in that measure. As well, SWC's proposal for future prices is for alignment with hourly labour rates rather than CPI.
- The Association of Hydraulic Services sought clarification on the inclusion of installation of water pumps in multistorey buildings. SWC replied that this service is not a monopoly service for SWC and as such should not have been included for determination.
- The Association of Property Conveyancers thought that the charge for facsimile service was too high. SWC replied that faxes sent in the normal course of business would not incur a charge, only those requests for urgent service which bring a staff member off line would incur the \$5 charge.
- The Plastics and Chemicals Industries Association, in the charges category of *service connections*, requested that services based on the use of PVC pipes be distinguished from services based on VC pipes. SWC replied that the terminology of "Inserting sewer junction" might be better termed "Application charge for inserting sewer junction" as the labour component is contestable. The terminology "Labour and

⁸ Sydney Water, *Supplementary Proposal to the Independent Pricing and Regulatory Tribunal of New South Wales, Report on Customer Consultation - Miscellaneous Customer Services*, December 1996.

materials” may be misleading because it only refers to the labour costs of installation when the material costs are contestable. A similar explanation applied to the charge for laying sewer sidelines.

- The Association of Hydraulic Services Consultants Australia queried whether the higher charges in the category of *corporate fires systems information* were justified in terms of extra services provided. For these charges, the Royal Australian Institute of Architects noted that increases were above CPI increases but stated it would accept the rises if costings were available which justified the increases. SWC provided costings and commented that the current charges were not recovering the cost of supplying the services and furthermore that SWC was investigating ways of opening the services to competition.
- The Association of Hydraulic Services Consultants Australia commented that charges for *plumbing installations* were too high while the Royal Australian Institute of Architects had concerns over the increases when compared to proposed charges for similar services. SWC replied that previously there were two fees, an application fee of \$30 and an hourly review charge of \$70. These have been combined, together with an adjustment for increased labour costs, into the proposed hourly fee of \$95. As well, SWC was investigating ways of introducing competition into this area.
- The Royal Australian Institute of Architects noted increases above CPI for *Large Water Disconnection/Connection Approvals* and asked for costing information if possible. SWC provided the information as requested.
- In the *Developer Services* category of charges, the Association of Consulting Surveyors believed hourly rates were too high and that SWC should not be making a profit. Blacktown Council had some concerns that Local Government may duplicate some of the services. SWC replied that the Corporation typically only audits designs provided by customers to ensure compliance with standards but this may be followed by more intensive audits if designs fail. The audits require staff of a senior status.

6.3 Specific issues considered by the Tribunal

6.3.1 Determination of electricity monopoly charges

The Tribunal determined monopoly charges for electricity distributors in December 1996⁹. The Tribunal was concerned with the level of charges proposed by distributors in their submissions and consequently relied on a decision of the Office of the Regulator General in Victoria¹⁰. The decision applied to hourly labour charge-out rates to be charged by Victorian distributors for the installation of half hourly meters. One of the important differences between the methodology relied on by electricity distributors and the methodology employed by the Regulator General was the treatment of corporate overheads.

In light of the determination for electricity monopoly charges, the Tribunal is similarly concerned about the level of charges proposed by SWC for miscellaneous services. In 1993 SWC proposed that miscellaneous charges should incorporate a margin for the cost of corporate overheads of 95%. At that time the Tribunal questioned that rate and subsequently the rate was adjusted and set at 90%. For the current determination, SWC

⁹ Independent Pricing and Regulatory Tribunal, *Pricing for Capital Contributions and Recoverable Works*, Determination No.10, December 1996.

¹⁰ Office of the Regulator General, Vic., *Half Hourly Meter Charges 1996-97 Decision*.

submitted proposals that would set miscellaneous charges incorporating a margin for corporate overhead costs of 115%.

In its core businesses, SWC has developed plans to increase efficiency. Targets to reduce the underlying operating cost per property by 45% in 2000/2001 from the 1992/93 level have been set. Efficiency gains in the area of miscellaneous services are expected by the Tribunal.

On the basis of the information available to it, the Tribunal believes that corporate overhead rate should remain at its existing level of 90%. This rate will be applied to the salary of an officer deemed appropriate to perform the work. In addition, the level of charges is to remain fixed until the next major determination of water and sewerage service charges in 1999/2000. At that time, the Tribunal will further examine the methodology adopted by SWC and other public utilities.

6.3.2 Contestability

SWC is the only supplier for services covered by this determination. This places special emphasis on ensuring that they derive from efficient costs and are developed to reflect prices that would have resulted from market place forces. Services that are contestable and for which SWC has to compete in the market place do not form part of this determination.

SWC is reviewing ways of allowing more miscellaneous services to be opened to full or partial competition. The Tribunal fully supports these intentions. A list of services which may become contestable in the future is shown in Section 5.2 above.

6.4 Impact

6.4.1 Impact on customers

The Tribunal wishes to minimise the impact of any current increases and therefore has limited increases in two ways. Firstly, it has reduced the rate of corporate overhead allocation from that proposed by SWC of 115% to the level set in the last determination in 1993 of 90%. Secondly it has fixed the level of prices that incorporate the 90% overhead rate until the next major pricing review in 1999/2000. In addition, the Tribunal will further review overhead recovery rates used by SWC at the next major review. The experience gained from the electricity determination will be utilised in this review.

Since lodgement of its submission with the Tribunal, SWC has elected to remove two of its proposed charges. One of these charges was a fee for late payment of accounts. This fee was initially determined for application in the 1993 determination. However, after concerns expressed by customers at that time, SWC decided not to apply the fee. This fee has now been removed from the current list for determination.

Of the 62 charges determined, only 23 charges will increase. A summary of the movement in charges is shown in Table 6.4.1 below. (Some charges are broken up into sub-charges for specific main diameters. Appendix 1 lists variations in charges in detail).

Table 6.4.1 Movement in Charges

Range of price change (1997/98 vs 1996/97)	Determination (number of charges)	SWC proposal (number of charges)
Decrease > 5%	5	2
Decrease 0% to 5%	0	0
No Change	26	13
Increase 0% to 5%	1	3
Increase > 5%	22	36
New Charge	8	8

The Tribunal believes that this determination, along with the determination for core services in June 1996 with its emphasis on charges derived from the “user pays” principle, will provide the most effective means of minimising the impacts of pricing decisions on consumers who rely on SWC for water and related services and for miscellaneous customer services.

6.4.2 Impact on SWC revenue

As previously discussed in section 5.3, this determination will reduce revenue below that proposed by SWC. SWC estimates that, under its proposal using a 115% corporate overhead rate, revenue would be approximately \$19.7 million. Under the 90% corporate overhead rate set by this determination, the expected revenue would be approximately \$17.4 million, resulting in a difference of \$2.3 million. SWC total revenue in 1995/96 was approximately \$1.2 billion.

From these figures, it can be seen that the revenue received from miscellaneous charges is small in proportion to the overall total revenue received by SWC. The Tribunal's determination will not significantly impact on SWC's financial performance nor the financial distribution to Government.

6.5 Charges

The Tribunal has determined the types of charges and level of charges as contained in Determination Number 3, 1997 attached. These charges are to apply from 1 October 1997 and are to remain fixed until the next major pricing determination in 1999/2000.

7 COMPLIANCE

Compliance with Tribunal determinations is required under Section 18 of the Independent Pricing and Regulatory Tribunal Act 1992. Government agencies are required to include details relating to the implementation of determinations within annual reports.

APPENDIX 1 Comparison of charges

Note: Only charges that have increased or decreased are shown

Charge Ref. No.		Price - Current	Price - 1997/98	Change - %
ACCOUNT & PROPERTY INFORMATION, RECONNECTIONS.				
Account, Property Information				
4	Roof & Yard Water Certificate	\$60	\$75	25%
5	Special Meter Reading	\$25	\$20	-20%
6	Facsimile Service	\$4	\$5	25%
7	Billing Record Search	\$30	\$50	67%
METER INSTALLATIONS, REPAIRS & MAINTENANCE				
Water Meter Services				
12	Refundable meter deposit			
	- 20 mm	\$100	\$95	-5%
	- 25 mm	\$200	\$160	-20%
	- 32 mm	\$350	\$325	-7%
	- 40 mm	\$400	\$425	6%
	- 50 mm	\$700	\$745	6%
	- 80 mm	\$850	\$865	2%
	- 100 mm	\$1,000	\$1,100	10%
	Meter Tests			
14	Full test at Corporate Workshop - 50 mm (ex light duty)	\$200	\$175	-13%
SERVICE CONNECTIONS, REPAIRS & MAINTENANCE				
Water Connections, Repairs & Maintenance				
15	Water connections application fee/random audits	\$50	\$20	-60%
16	*Large (Dis) Connection of 80mm – application	\$340	\$350	3%
17	*Water main adjustment –application	\$120	\$130	8%
Sewerage Connections, Repairs & Maintenance				
19	*Laying sewer sideline – application	\$120	\$130	8%
20*	*Disconnecting sewer – application	\$80	\$90	13%
21*	*Manhole/lamphole adjustment application	\$120	\$130	8%
22*	*Sewer ventshaft adjustment application	\$240	\$250	4%
	Items with * show application fees only, services attract charges at hourly costs of	\$45	\$50	11%

Charge Ref. No.		Price - Current	Price - 1997/98	Change - %
SPECIAL SERVICE ARRANGEMENTS				
Corporate Customer Fire Hydrant Re-Sealing				
26	Site visit plus 1st hydrant	\$25	\$20	-20%
27	Per additional visit	\$9	\$10	11%
SERVICE CONNECTION PERMITS, APPROVALS, INVESTIGATIONS				
Building Approvals, Systems Peg-outs, supervision				
36	Conducting peg-out	\$90	\$85	-6%
Corporate Fire Systems Information				
40	General pressure certificate	\$40	\$50	25%
41	Standard investigation	\$50	\$55	10%
42	Fire flow full investigation	\$100	\$115	15%
Plumbing Installation				
43	Review of hydraulic drawings (per hour)	\$70	\$85	21%
Large Water (Dis)-Connection Approvals				
44	Separate domestic hydrant applications	\$90	\$110	22%
45	Joint domestic hydrant applications	\$150	\$180	20%
DEVELOPER SERVICES				
Developer Services				
46	Application/standard investigation	\$300	\$325	8%
47	Additional investigations (per hour)	\$70	\$85	21%
53	Providing technical data - general per hour	\$60	\$85	42%
CORPORATE SUPPLY & INFORMATION SERVICES				
Material & Technical Standards				
58	Application	\$110	\$170	55%
59	Evaluation (per hour)	\$70	\$85	21%
	Standards Update Service (Annual Subscription)			
60	Design and Construction Package	\$1,000	\$1,100	10%
61	Major construction: each	\$500	\$550	10%



I N D E P E N D E N T P R I C I N G A N D R E G U L A T O R Y T R I B U N A L
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Agency: Sydney Water Corporation Limited

Services: Water supply, sewerage and drainage services - miscellaneous services.

Declaration of government monopoly services under Section 4 of the Act:

Order dated 27 August 1992 – page 6431, Gazette No. 105, revised by Order dated 14 February 1997 - page 558-559, Gazette No.18

Maximum prices to be charged from 1 October 1997 for miscellaneous customer services.

The maximum prices shown below are to be charged from 1 October 1997 and are to remain fixed at these levels until reviewed under the next major pricing determination in 1999/2000.

ACCOUNT AND PROPERTY INFORMATION, RECONNECTIONS

Account, Property Information

1 Section 66 Certificate	\$20.00
2 Sewerage Service Diagrams	\$20.00
3 Sewer Reference Sheet (Aperture Cards, benchmarks, Details Sheets)	\$20.00
4 Roof & Yard Water Certificate	\$75.00
5 Special meter reading	\$20.00
6 Facsimile service (per transmission)	\$5.00
7 Billing record search (up to 10yrs per search) (1)	\$50.00
8 Building over Sewer letter	\$35.00

Water Re-connections

9 Performed during business hours: 8:30am – 4:45pm	\$30.00
10 Performed outside business hours	\$120.00

(1) Details of bills issued in the current and previous financial year are available free of charge.

METER INSTALLATIONS, REPAIRS AND MAINTENANCE**Water Meter Services**

11	Install protection on meter (materials additional)		\$45.00
12	Temporary construction meter deposit (refundable of return on undamaged meter)	20 mm meter	\$95.00
		25 mm meter	\$160.00
		32 mm meter	\$325.00
		40 mm meter	\$425.00
		50 mm meter	\$745.00
		80 mm meter	\$865.00
		100 mm meter	\$1,100.00
		150 mm meter	\$1,700.00

Meter Tests

Where a customer applies for meter testing, a fee will be charged if no fault is found. Faulty meters will be exchanged free of charge.

13	Field Test	20mm, 25 mm meters only	\$110.00
14	Full test at Corporation workshop (fee additional to field test)	20 mm meter	\$190.00
		25 mm meter	\$245.00
		32 mm meter	\$445.00
		40 mm meter, 50 mm "light duty"	\$520.00
		50 mm meter (ex "light duty") and above *	\$175.00

* Refurbished/repaired meters returned to service

SERVICE CONNECTIONS, REPAIRS AND MAINTENANCE**Water connections, repairs, maintenance**

15	Water connections application fee/random audits Sydney Water or accredited plumbers (materials and labour additional)	Single/double	\$20.00
16	Large (Dis) Connections of 80 mm+	application *	\$350.00
17	Watermain adjustment	application *	\$130.00

Sewerage connections, repairs, maintenance

18	Inserting sewer junction	application *	\$150.00
	Cost of installation (1)		\$180.00
19	Laying sewer sideline	application *	\$130.00
	Cost of installation (2)		\$180.00
20	Disconnecting sewer	application *	\$90.00
21	Manhole/lamphole adjustment	application *	\$130.00
22	Sewer ventshaft adjustment	application *	\$250.00

Stormwater connections, repairs, maintenance

23	Connection to storm channel	application *	\$150.00
24	Inspection of break into channel		\$200.00
25	Inspection of drainage lines (per hour)		\$50.00

* In addition to the application fee, there is a charge for services provided at a labour rate of (recommended) \$50.00 per hour.

(1) Cost of installation includes labour costs only.

(2) Cost of installation includes up to 1 meter of sideline material.

SPECIAL SERVICE ARRANGEMENTS**Corporate customer fire hydrant re-sealing**

	Hydrant re-sealing		
26	Site visit plus 1 st hydrant *		\$20.00
27	Per additional hydrant *		\$10.00

Annual standpipe permits

28	25 mm outlet		\$125.00
	32 mm outlet		\$204.80

Trade waste

29	Application fee	Category 1,2		\$120.00
	Application/Renewal fee	Category 3,4		\$360.00
30	Aggrement fee (yearly)	Category 1	Year 1	\$120.00
			Subsequent years	\$60.00
		Category 2	Year 1	\$360.00
			Subsequent years	\$180.00
	First Agreement	Category 3-4	Year 1	\$360.00
			Subsequent years	\$180.00
	After Renewal		Each Year	\$180.00
31	Inspection fee		First 30 minutes	\$30.00
			Each subsequent 15 minutes	\$24.00

* A 100% penalty applies to these charges where the seal is broken and the owner has not notified the Corporation that the hydrant requires re-sealing.

SERVICE CONNECTION PERMITS, APPROVALS, INVESTIGATIONS**Building approvals, systems peg-outs, supervision**

32	Approval for building plans not involving new connections		\$20.00
33	Approval for building plans involving new connections		\$185.00
34	Approval for building plans involving modified connections		\$140.00
	<i>Corporation's mains are affected by proposed building</i>		
35	Determining requirements on builder		\$55.00
36	Conducting peg-out		\$85.00
37	Conducting piercing supervision		\$45.00
38	Supervising sewer encasing (per lineal metre)		\$20.00
39	Consulting Fee (per hour)		\$70.00

Corporate Fire Systems Information

40	General Pressure Certificate (max/min)		\$50.00
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Fire flow pressure

41	Standard investigations		\$55.00
42	Full investigation		\$115.00

Plumbing Installations

43	Review of hydraulic drawings	(per hour)	\$85.00
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Large water (Dis-) connections approvals

44	Domestic water/fire sprinkler/fire hydrant applications submitted separately		\$110.00
45	Domestic water/fire sprinkler/fire hydrant applications submitted jointly		\$180.00

DEVELOPER SERVICES**Developer services**

	Subdivider/developer compliance certificate, Minor water/sewer extension, Adjustment deviation, Stormwater investigation	
46	Application/standard investigation	\$325.00
47	Additional investigations (per hour) Quality Inspection *	\$85.00 n/a
	<i>Intensive design unit</i>	
48	General per hour	\$85.00
49	Senior per hour	\$95.00
	<i>Intensive construction audit</i>	
50	General per hour	\$85.00
51	Senior per hour	\$95.00
52	Contract Administration per hour	\$70.00
	<i>Providing technical data</i>	
53	General per hour	\$85.00
54	Senior per hour	\$95.00
	<i>Bank guarantee</i>	
55	Upfront fee	\$30.00
56	Negotiation fee (per hour)	\$85.00
57	Title documentation facility	\$40.00

* The Corporation has disaggregated this service for clarification and to accommodate the senior rates.

CORPORATE SUPPLY AND INFORMATION SERVICES**Material & technical standards**

	Product approval	
58	Application *	\$170.00
69	Evaluation (per hour)	\$85.00
	<i>Standards Update Service (Annual Subscription)</i>	
60	Design and Construction Package	\$1,100.00
61	Major Construction; each	\$550.00
62	Minor Constuction; each	\$100.00

* Greater levels of service than previously provided