

FACT SHEET

Developer charges for Gosford City Council and Wyong Shire Council

Based on the *Draft Report and Draft Determination*, February 2013

We seek comment on our draft determination that sets new parameters for Gosford City Council and Wyong Shire Council to use in calculating developer charges in their respective areas. Stakeholders can find the draft determination and explanatory report on our website (www.ipart.nsw.gov.au).

We have prepared this Fact Sheet to assist stakeholders in preparing their comments. Submissions are due by 15 March. We will consider the issues raised in the submissions before making our final decisions in May.

Background to the review

The Councils provide water, wastewater and stormwater drainage services to residents on the Central Coast of NSW. They also provide services to new developments and recover these costs in part by levying developer charges.

Our current determination for developer charges was made in 2000. It provides a methodology that regulated water agencies must use to calculate their own developer charges. Various calculation parameters must be used in making the calculations, but these were last set for the 2000 determination. We have decided to update these parameters.

We seek comment on our draft decisions. These are discussed below. The new determination takes effect from 1 July 2013 and we have decided that the Councils must adopt the new developer charges on or before 1 July, 2014.

Discount rate parameters for Pre-1996 Assets, Post 1996 Assets and Net Revenues and Costs

We have decided to maintain the discount rate at 0% real for Pre-1996 Assets.

We have decided to set a discount rate for Post 1996 Assets and Expected Net Revenues and Costs that is the same as the WACC that is used for the most recent determination of the Councils' periodic charges. We determine periodic charges at regular intervals. This means that in future, the discount rates for developer charges will better reflect market conditions at the time of the calculation of the developer charges.

Table 1 Draft decisions for discount rates

Discount rate for:	Current	Draft decision
Pre-1996 Assets	0% real	0% real
Post-1996 Assets	7% real	The pre-tax value of the weighted average cost of capital (WACC) referred to in IPART's report for the Council's periodic charges prevailing on the day that the Council adopts its developer charges.
Net revenues and costs	7% real	As for Post-1996 Assets

Consumption per annum parameter for an average residential customer

We have decided to use the consumption figure for an average residential customer that we also use in the most recent determination of periodic charges for the Councils. This approach will better reflect the current consumption value at the time when the Councils review their developer charges.

Table 2 Consumption per annum for an average residential customer

	Current	Draft decision
Gosford Council	207 kLs	The value for the consumption per annum for an average residential customer referred to in IPART's report for the Council's periodic charges prevailing on the day that the Council adopts its developer charges.
Wyong Council	205 kLs	As above.

Wyong Council's 85% cap parameter

Our initial determination in 1995 replaced individual developer charges regimes that the water agencies had been employing, with a single consistent regime. The change included an 85% cap on Wyong Council's developer charges to ensure a smooth transition to our new regime. This cap was retained for the current 2000 determination.

We have decided to remove the 85% cap on Wyong Council's developer charges. We agree with Wyong Council that the cap is inconsistent with the other water agencies and that it will create a barrier to synchronising their charges with Gosford Council's when the Central Coast Water Corporation begins operation.

We consider that the issues that led to introduction of the cap in the 1995 Determination have largely dissipated.

Likely changes

The Councils estimate that charges would increase on average by 7% in Gosford Council's area and by 19% in Wyong Council's area under our draft decisions. However, removal of the 85% cap on Wyong Council's charges accounts for 18% of the increase in its charges.