

FACT SHEET

Draft water and sewerage prices for Gosford City Council's non-residential customers

Based on *Draft determinations and report: Gosford City Council and Wyong Shire Council - Prices for water, sewerage and stormwater drainage services from 1 July 2013 to 30 June 2017*
February 2013

On 19 February 2013, IPART released its draft determination on the prices that Gosford Council can charge for providing water and related services to its customers during the 4 years from 1 July 2013 to 30 June 2017.

This fact sheet provides information specific to Gosford City Council's non-residential customers and explains how this determination will affect the water and sewerage prices they will pay. Customers are invited to make written comments on our draft decisions by 15 March 2013. The draft report and determination is available on our website (www.ipart.nsw.gov.au). We expect to complete our review and release our final determination in May 2013.

To provide prices including inflation we have used an expected inflation rate of 3.1% for 2013/14 and then 2.5% per year after that.

Draft prices

Non-residential customers vary in their use of water, sewerage and stormwater services. Some have their own meter and some share a common meter, with different metre sizes. Rather than define a 'typical' non-residential customer, this fact sheet provides information about the impact of our draft prices on the bills of non-residential customers with their own meter (20mm, 25mm, 40mm and 100mm) and on customers who share a meter (25mm and 40mm).

Water, sewerage and stormwater drainage charges

Under our draft determination, the water and sewerage bills for most non-residential customers will increase due to higher service charges. The water usage charge will rise in line with inflation, expected to be 3.1% in 2013/14 and 2.5% per year after that. It will be \$2.35 per kL in 2016/17.

The prices paid by non-residential customers are also impacted by proposed changes to price structures to remove inequitable cross-subsidies. This price restructuring does not increase the total revenue received by Gosford Council for services, but will ensure that customers in all groups pay bills that represent the costs they impose on Gosford Council.

The main impacts of these changes on non-residential customers are:

- ▼ To apply the Councils sewerage discharge factors to the non-residential sewerage service charge.
- ▼ A new sewerage usage discharge allowance of 150 kL per year before a volumetric charge is levied.
- ▼ A reduction in the sewerage usage charge towards a level that better reflects the cost of collecting, transporting and treating sewage.

For customers on their own meter, small non-residential customers that have similar usage patterns to residential properties, will see the lowest percentage increases. They benefit from the introduction of the discharge factor and discharge allowance so their overall bill increase is reduced. For those with large sewage volumes, the impact of higher service charges is offset by lower usage charges and the discharge allowance, so their bill increases are lower in percentage terms.

Table 1 shows the indicative impact on non-residential water and sewerage bills for customers with individual meters, various levels of water usage and average sewerage discharge percentages.

Table 1 Annual water and sewerage bills for non-residential customers with individual meters

Water usage kL per year ^a	Meter size	Current 2012/13	2013/14	2014/15	2015/16	2016/17	% Change 2012/13 to 2016/17
Without inflation							
200	20mm	1,058	1,096	1,121	1,146	1,173	10.9%
300	25mm	1,721	1,733	1,873	2,007	2,119	23.1%
1,000	40mm	5,134	5,386	5,703	6,004	6,247	21.7%
10,000	100mm	43,848	45,920	47,500	48,982	50,106	14.3%
With expected inflation							
200	20mm	1,058	1,130	1,184	1,242	1,302	23.1%
300	25mm	1,721	1,787	1,979	2,174	2,352	36.7%
1,000	40mm	5,134	5,553	6,027	6,503	6,936	35.1%
10,000	100mm	43,848	47,344	50,197	53,057	55,631	26.9%

^a We have applied an average discharge factor of 90%.

Note: Totals may not add due to rounding. Includes expected inflation of 3.1% in 2012/13 and 2.5% per year after that.

Non-residential customers with a shared meter will experience different impacts on their bills, depending on whether or not they are in a strata property, the number of customers that share the property's meter, and their sewage volumes.

Table 2 shows the indicative impact of the draft determination on non-residential water and sewerage bills for customers with shared meters, various levels of water usage and average sewerage discharge volumes.

Table 2 Annual water and sewerage bills for non-residential customers in strata units sharing a meter

Water usage (kL pa) ^a	Meter size	Equal strata connections ^b	Current 2012/13	2013/14	2014/15	2015/16	2016/17	% Change 2012/13 to 2016/17
Without inflation								
75 per unit	25mm	3	543	501	550	597	636	17.3%
300 per unit	25mm	3	1,249	1,188	1,217	1,245	1,265	1.3%
75 per unit	25mm	8	413	331	345	359	370	-10.4%
300 per unit	40mm	8	1,240	1,207	1,232	1,254	1,270	2.4%
75 per unit	40mm	14	449	396	418	439	456	1.6%
With expected inflation								
75 per unit	25mm	3	543	517	581	647	707	30.2%
300 per unit	25mm	3	1,249	1,225	1,286	1,348	1,404	12.5%
75 per unit	25mm	8	413	341	365	389	410	-0.6%
300 per unit	40mm	8	1,240	1,245	1,302	1,359	1,410	13.7%
75 per unit	40mm	14	449	408	442	476	506	12.9%

^a We have applied an average discharge factor of 90%. We have also distributed the threshold allowance for sewerage evenly between strata units.

^b We have shown indicative water and sewerage charges for strata units that are equal in size and water consumption as an example so customers can gauge the impact of our decisions on total charges.

Note: Non-residential customers on shared meters will not actually receive a bill from Gosford Council for the amounts shown above. They should receive an invoice from Gosford Council directly for their water and sewerage service charges, but will be paying for their water usage charge via their strata levies. Includes expected inflation of 3.1% in 2013/14 and 2.5% per year after that.

Non-residential customers also pay a standard stormwater drainage charge. The annual stormwater drainage bill of a non-residential customer will increase by 53.2% or \$44 by the end of the 4-year determination period, including inflation.

Table 3 shows non-residential annual stormwater drainage bills.

Table 3 Non-residential annual bills – stormwater drainage

	Current 2012/13	2013/14	2014/15	2015/16	2016/17	% Change 2012/13 to 2016/17
Without inflation						
\$ per year	83	89	97	105	114	38.0%
With expected inflation						
\$ per year	83	92	102	114	126	53.2%

Note: Includes expected inflation of 3.1% in 2013/14 and 2.5% per year after that.

Trade Waste

Trade waste is wastewater from commercial and industrial customers with pollutant concentrations that exceed a domestic equivalent. In line with Gosford Council's proposal, most charges have been maintained or reduced in real terms over the determination, that is, before inflation is applied. The exception is the Category 3 trade waste charges that have increased to better reflect the costs in processing this type of trade waste.

Reasons for the changes

Gosford Council's efficient costs of delivering water, sewerage and stormwater services have increased due to:

- ▼ Increased costs relating to management and disposal of sludge from sewerage treatment plants.
- ▼ Recovery of the costs of delivery of a large amount of necessary capital expenditure on sewerage assets.

We set prices based on our assessment of efficient costs. The prices and costs are much lower than Gosford Council's proposal mainly because:

- ▼ Our Weighted Average Cost of Capital (WACC) of 4.2% is lower than Gosford Council's proposal of 5.6%.
- ▼ We have excluded \$46.3 million (18.9%) of Gosford Council's proposed operating costs over the 4 years of the determination.

We consider that the prices in the determination will allow Gosford Council to continue to provide quality services, maintain its financial viability and comply with its environmental and service obligations.