



Independent Pricing and Regulatory Tribunal

Review of prices for water, sewerage and stormwater services to Gosford City Council and Wyong Shire Council

From 1 July 2013

Water — Issues Paper

June 2012



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Invitation for submissions

IPART invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

The submissions from Gosford City Council and Wyong Shire Council are due by 14 September 2012.

Submissions from stakeholders are due by 12 October 2012.

We would prefer to receive them electronically via our [online submission form](#).

You can also send comments by fax to (02) 9290 2061, or by mail to:

Gosford and Wyong Councils' Price Reviews 2012

Independent Pricing and Regulatory Tribunal

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Our normal practice is to make submissions publicly available on our website <www.ipart.nsw.gov.au>. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed on the previous page.

We may choose not to publish a submission—for example, if it contains confidential or commercially sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please indicate this clearly at the time of making the submission. IPART will then make every effort to protect that information, but it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's submission policy is available on our website.

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1 Introduction

The Independent Pricing and Regulatory Tribunal of NSW is responsible for setting the maximum prices that may be charged by Gosford City Council (Gosford Council) and Wyong Shire Council (Wyong Council) for providing water, sewerage, stormwater drainage and other related services. Under our current determinations, prices are determined to 30 June 2013 and therefore we are conducting a review of the prices for Gosford Council and Wyong Council (the Councils) to take effect from 1 July 2013.

This Issues Paper initiates the process we have established for determining prices for the Councils. The Paper outlines our approach to the review, the key issues we will need to consider and it is also a first step in gathering the information necessary for our review.

We are asking each Council to provide responses to the issues raised in this paper and any other issues they consider important to this review in their pricing submissions. The Council's submissions will need to include information about each Council's past performance and about the Councils' proposals for future prices. The Councils' pricing submissions are due on 14 September 2012 and on receipt will be published on our website.

Other interested stakeholders are invited to provide responses to the issues raised in this paper and to any other issues they consider to be important to this review as well as the Councils' submissions. Stakeholder submissions are due on 12 October 2012. The Councils and other stakeholders are also invited to express their views at a public hearing on 12 November 2012.

For the 2013 pricing review of the Councils, a number of issues need to be resolved. These issues are discussed throughout this paper and include issues that we generally need to address whenever we determine prices, some specific issues that were identified at the time of the 2009 Determinations and a number of new issues that have since emerged, such as the establishment of the Central Coast Water Corporation (the Corporation).

Currently, the Councils act together as members of the Gosford and Wyong Councils' Water Authority and manage the supply of bulk water. They are individually responsible for the provision of retail water and sewerage services within their own local government areas. However, the NSW Government has now established the Corporation which in time will be responsible for the water related functions of the Councils. While the Corporation has been established as a legal entity, practical transfer of the Councils' water functions to the new body is ongoing. Once completed, we are likely to be required to determine maximum prices the Corporation can charge. In this review we will set prices for each Council individually but have regard to that longer term objective.

2 Central Coast Water Corporation

A major development since the 2009 Determinations is the formal establishment of the Central Coast Water Corporation (the Corporation). The Corporation was established as a legal entity under the *Central Coast Water Corporation Act 2006* to undertake the functions of the Gosford and Wyong Councils' Water Authority. The individual water supply and sewerage functions of both councils will also be transferred to the Corporation.

The *Central Coast Water Corporation Act 2006* also provides for the granting of an operating licence to the Corporation to ensure that its water supply and sewerage management services meet the quality and performance standards specified in the operating licence. The establishment of the Corporation has implications for us in our role as pricing regulator and our role as operating licence regulator. Until the new Corporation is named a 'water supply authority' IPART does not have the power to determine maximum prices for the Corporation.

At this stage we do not have the power to determine prices for the Corporation. For us to have the power the *Water Management Act 2000* has to be amended. These amendments will name the Corporation as a 'water supply authority' (allowing IPART to determine prices for the Corporation) and remove the Councils from the list of Water Supply Authorities in that Act (removing our power to determine prices for each Council). It is not clear when this will occur.

This means that for this review, we will set prices for the 2 Councils individually. However, we will take the establishment of the Corporation into account in our decisions by considering some issues in tandem for both Councils. These include the length of the determination period, the potential alignment of price structures of each of the Councils and the treatment of the costs incurred in establishing the Corporation.

The Councils have recently announced that they have developed an operating model¹ for the Corporation, taking into account costs, impacts on the Councils and community benefits. The Councils have decided to transfer Council water and sewerage staff to the Corporation in phases over a 5-year period. They will lease water and wastewater assets to the Corporation and therefore retain the assets in Council ownership.

The decision to transfer the Councils' functions will be subject to ensuring that the financial impacts on the Councils can be managed. Until this date, these services will continue to be managed by each Council.

¹ Wyong Shire Council and Gosford City Council, *Water decision flows to other Central Coast services*, joint media release 31 May 2012.

3 IPART's role in the review

This chapter provides some background information that will assist readers as they read through the Issues Paper. It discusses the background and scope of the review from our perspective and will help readers understand the issues on which we ask them to provide comment.

IPART regulates the charges (or prices) for the provision of water, sewerage, stormwater, trade waste and other ancillary and miscellaneous services for residents on the Central Coast. We made determinations for Gosford and Wyong Councils² in 2009 that defined maximum prices from 1 July 2009 to 30 June 2013 (current determination period). We are now determining the Councils' prices to apply from 1 July 2013 (upcoming determination period).

Before setting these prices, we will examine the Councils' water, sewerage, and stormwater functions, regulatory requirements and the appropriate level of revenue needed to support these activities in an efficient and effective manner.

3.1 Purpose of this Issues Paper

To assist us in determining new prices, we encourage stakeholders to make submissions on their views of any issues relevant to this review. These views are an important input to our review process. To assist stakeholders in making submissions, this Paper explains how the review is to be undertaken, provides background information, and outlines issues on which we particularly seek comments. All submissions from stakeholders will be considered in making our draft and final determinations.

3.2 IPART's role and core functions

IPART is responsible for setting prices for the 4 major metropolitan retail water providers in NSW - Sydney Water Corporation (Sydney Water), Hunter Water Corporation (Hunter Water), and the Councils. In setting prices for this review, we aim to provide the Councils with revenue sufficient to recover their efficient costs in providing water and associated services.

Much of our role is defined by various matters that we are legally required to take into account in making our price determinations. These matters are prescribed by Section 15 of the IPART Act which is outlined in Appendix A.

² IPART, *Gosford City Council, Wyong Shire Council, Prices for Water, Sewerage and Stormwater Drainage Services from 1 July 2009 to 30 June 2013 - Determinations and Final Report*, May 2009.

3.3 Scope of this Review

This review will be conducted under Section 11 of the IPART Act which gives us the power and responsibility to determine prices for specified water utilities. Under Section 15 of the IPART Act, we are to have regard to certain matters (in addition to any other matters we consider relevant) when making a determination.

In considering these matters, we must balance the diverse needs and interests of stakeholders – such as customer affordability, environmental impact and maintenance of overall customer service quality – and ensure that the Councils receive an allowance only for the efficient costs of the services they provide and not for any unnecessary expenditure.

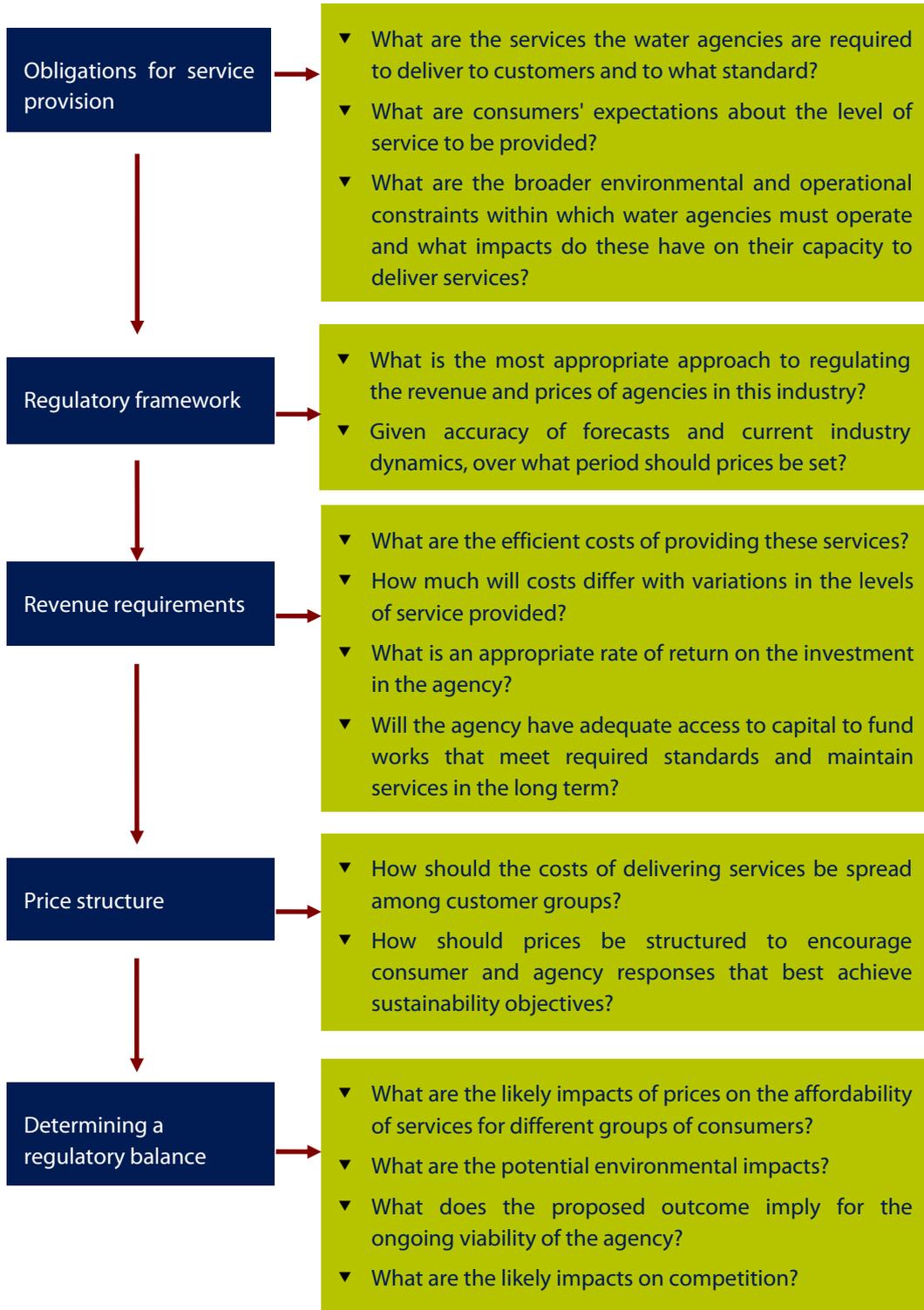
We aim to set prices that are cost reflective. Setting cost reflective prices signals to consumers the costs of their consumption decisions and results in an efficient allocation of resources. However, in this review we will also consider the decision to transfer the water functions of the Councils to the Corporation and potential for aligning prices between the Councils to reduce the customer impacts of the transfer.

We also take into account principles issued by the Council of Australian Governments (COAG) and contained in the National Water Initiative.³

Our general approach to determining monopoly prices for water agencies is outlined in Figure 3.1.

³ The National Water Initiative has built on the principles established in the 1994 COAG Water Reform Framework.

Figure 3.1 IPART's determination process



3.4 The review process

In undertaking this review, we will conduct our own research and analysis, using selected consultant investigations⁴ and public consultation. We invite submissions to the review as part of our consultation process.

This Issues Paper assists us in identifying and understanding the key issues for the review and to elicit stakeholder comment. A range of issues are raised – throughout the paper and in consolidated lists in Appendix C (Information required from the Councils) and Appendix D (List of issues for stakeholder comment). However, the Councils and all stakeholders may raise and discuss any other issues they believe are of relevance to the review. Details on how stakeholders can make submissions are given at the front of this Paper (on the page preceding the Table of Contents).

Stakeholders are offered 3 opportunities to express their views. Stakeholders can:

- ▼ provide a submission in response to this Issues Paper
- ▼ attend a public hearing
- ▼ provide a submission in response to our draft report.

We will consider the comments received from all stakeholders before making our final determination and publishing our final report.

An indicative review timetable is set out below.

Table 3.1 Indicative review timetable

Task	Timeframe
Release Issues Paper	Wednesday 20 June 2012
Receive submissions from the Councils	Friday 14 September 2012
Receive public submissions	Friday 12 October 2012
Public hearing	Monday 12 November 2012
Release draft report	February 2013
Receive submissions to the draft report	March/April 2013
Release final report	May 2013

Note: These dates are indicative and are subject to change.

In the past, we have sometimes encountered difficulties completing our price reviews on time because of delays in the provision of necessary information by regulated entities. Delays and the late provision of supplementary information can result in work being suspended or revised to take into account new information received. Delays and new information not only add to our workload and that of our consultants, but also limits stakeholders' ability to participate and provide input into our processes and decisions.

⁴ We will publish the outcomes of any consultant's investigations on our website.

To ensure the Councils can provide all the information we require, we have undertaken a number of measures and have been in close communication with the Councils. We will attempt, as far as possible, to agree with the Councils on what information they should provide for this review and when it should be provided.

To allow us to better manage delays in the provision of information and supplementary information, we will establish mechanisms that allow us to 'stop the clock' if we do not receive necessary information from the Councils on time. Under 'stop the clock' arrangements, a delay in receiving information means that the timetable will automatically be extended by the length of the delay. If it is necessary for us to 'stop the clock', we will announce that this is taking place and publish a revised timetable on our website. If the Councils provide new information, we may need to 'reset the clock', reflecting the need to rework and reconsider matters to take this new information into account.

In addition to the timely provision of information, the Councils will be required to justify their forecast costs and sales through the provision of sufficiently comprehensive information. In particular, proposals should be accompanied by sufficient cost information and justification to support any changes. The Councils' submissions should also identify the potential customer impacts of their proposals, how the impacts are distributed, and options to mitigate or minimise these impacts. We also expect the councils to consider the impacts of their pricing proposals on the future transfer of functions to the Corporation.

3.5 Issues for Stakeholder Comment

A full list of the issues for stakeholder comment with the corresponding page number is listed in Appendix D. These include issues such as:

- ▼ the prudence of the Councils' capital expenditure over the current determination period
- ▼ the scope for the Councils to achieve further efficiency gains in operating expenditure over the upcoming determination period
- ▼ appropriate price structures (particular in relation to the alignment of prices between the Councils)
- ▼ the evidence of customers' willingness to pay for the Councils' service levels and proposed expenditures, particularly where these are discretionary.

3.6 Issues on which the Councils are requested to comment

Throughout the following chapters of this paper we have sought information from the Councils. This information is numbered under headings and is listed in Appendix C. We expect the Councils will address all of our information requirements in their submissions. For example, the information that we seek includes:

- ▼ The efficiency and prudence of Gosford and Wyong Councils' individual capital expenditure over the current determination period compared to expenditure we allowed in the 2009 Determination, and an explanation of variances.
- ▼ Gosford and Wyong Councils' projected capital expenditures over the upcoming determination period; drivers of these expenditures; expected service outcomes; the robustness of the business case for these expenditures; the practicality of the projects being delivered within the proposed timeframe; the reasonableness of cost estimates; and stakeholder willingness to pay for service levels.
- ▼ The impacts on customers of pricing proposals and an analysis of these impacts on customer bills by customer group, consumption level or other relevant category.
- ▼ Customers' willingness to pay, especially for discretionary expenditure.
- ▼ Any new options that were explored for mitigating or minimising customer impacts, as well as proposals on any new mechanisms that should be introduced to mitigate customer impacts.
- ▼ Any proposals for transitioning prices to achieve alignment between Councils' prices in anticipation of the transition of functions to the Corporation.

4 The Councils' role and regulatory framework

This chapter provides some contextual information on the Councils. It discusses the background and scope of the review from the Councils' perspective and is designed to assist readers when they provide comments on various issues contained in the Issues Paper and in the Councils' upcoming pricing submissions.

The Councils provide water, sewerage and stormwater services to residents of the Central Coast. They are monopoly suppliers of these services to their customers. In the absence of competitive markets, the Councils are regulated to ensure that appropriate economic, social and environmental objectives are achieved.

4.1 The role of the Councils

The Councils are responsible for supplying water and related services to residents on the Central Coast. The supply of bulk water is managed by the Gosford and Wyong Councils' Water Authority (Authority). The Authority manages a number of major water projects – termed Joint Water Supply (JWS) projects – with the costs shared between the Councils. However, the Councils are responsible for the supply of water and the provision of sewerage services within their own local government areas. This arrangement has not changed since the time of the 2009 Determination.

After experiencing severe water shortages during the drought in the previous decade, the Councils have been undertaking a number of major projects under their long term water supply strategy (Water plan 2050) for the Central Coast⁵. Water restrictions were in place until May 2012 but have now been replaced with Water Wise Rules.

Unlike Sydney Water and Hunter Water, the Councils do not have operating licences that set performance targets, outline compliance requirements and establish customer contracts.⁶ Instead, the Councils are required, under section 402 of the *Local Government Act 1993*, to develop annual management plans with respect to all their activities, including water and sewerage services. It should be noted that in anticipation of the transition, based on the advice from the Corporation and the Councils, we have commenced the discussion about the development of an operating licence for the Corporation.

4.2 The Councils' areas of operation

Gosford Council provides water, sewerage and stormwater services to a permanent population of approximately 160,000 people. Its area of operations covers approximately 1,029 square kilometres of the Central Coast region of NSW. It provides water supply services to approximately 70,000 properties and sewerage services to approximately 68,000 properties.⁷

Wyong Council is responsible for an area covering approximately 820 square kilometres of operations with a current population of over 150,000 people⁸. Wyong Council provides water supply services to approximately 62,000 properties and sewerage services to approximately 61,000 properties.⁹

⁵ The Central Coast is the geographical area encompassing Wyong council and Gosford Council areas.

⁶ These licences are issued by the Minister for Finance and Services.

⁷ http://www.gosford.nsw.gov.au/water_and_sewer.

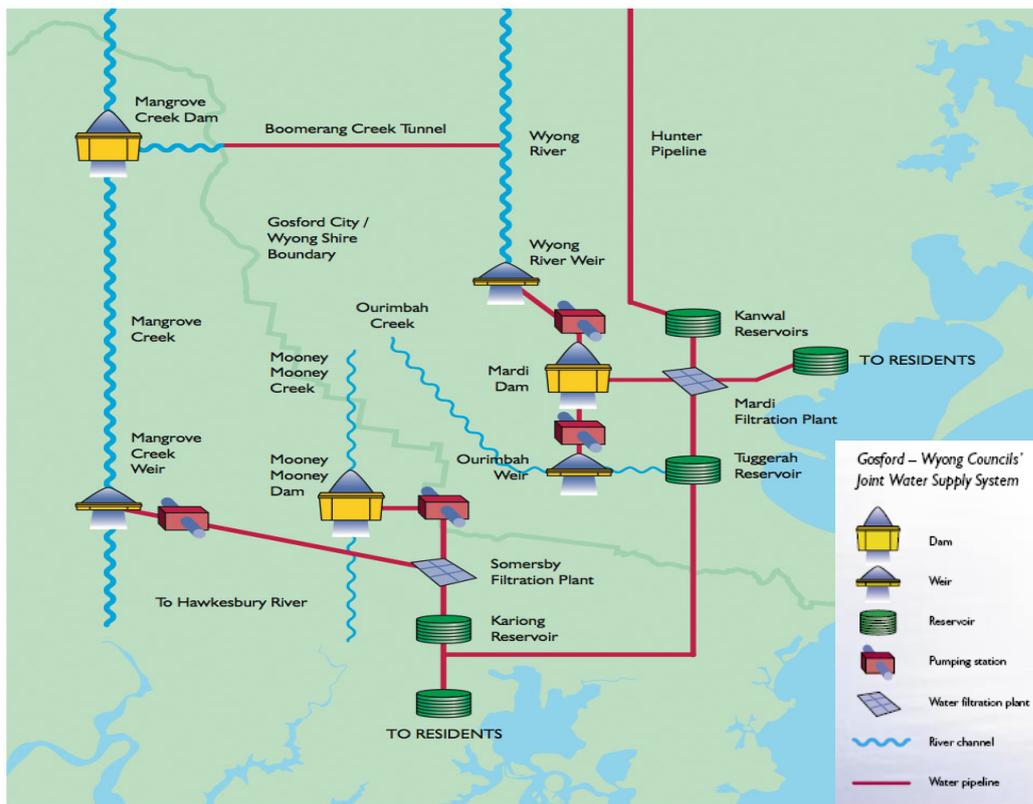
⁸ Wyong Shire Council Strategic Plan 2011-2015, p 9.

⁹ Wyong Shire Council Annual Information Return 2010/11 to IPART.

The Councils share a joint water headworks supply managed by the Authority, with the major bulk water storages being Mooney Mooney and Mangrove Creek Dams in Gosford Council's area and Mardi Dam in Wyong Council's area. A schematic diagram of the Councils' water supply system is shown in Figure 4.1.

Gosford Council owns and manages over 1,000 km of water mains and approximately 1,400 km of sewerage mains and channels.¹⁰ In the 2010/11 financial year Gosford Council supplied over 12.2 GL¹¹ of water. Wyong Council owns and manages over 1,100 km of water mains and approximately 1,200 km of sewerage mains and channels¹². In the 2010/11 financial year, Wyong Council supplied over 12.0 GL¹³ of water.

Figure 4.1 Gosford and Wyong Councils' Water Authority water supply system



Source: Gosford and Wyong Councils' Water Authority (<http://www.gwcwater.nsw.gov.au/index.php/our-system>).

¹⁰ Gosford City Council Annual Information Return 2010/11 to IPART.

¹¹ Gosford City Council Annual Information Return 2010/11 to IPART, billed metered consumption.

¹² Wyong Shire Council Annual Information Return 2010/11 to IPART.

¹³ Wyong Shire Council Annual Information Return 2010/11 to IPART, Total metered consumption.

4.3 The regulatory framework of the Councils

In addition to IPART, there are a number of other regulators that oversee Gosford and Wyong Council's water industry functions. The Councils' primary regulators are:

- ▼ **IPART**, which is responsible for setting the maximum prices that can be charged by the Councils for their monopoly services.
- ▼ **The NSW Office of Water (NOW)** is responsible for issuing water access licences to the Councils - these licences regulate water extractions and environmental flow requirements in natural waterways and approvals to construct, maintain and operate water management works. Both Councils must also comply with NOW's NSW Best Practice Management of Water Supply and Sewerage Guidelines as a pre-requisite to receiving payment of dividends from the surplus of their water supply and sewerage businesses.
- ▼ **Office of Environment and Heritage (OEH)**, which is responsible for monitoring and regulating sewage discharges from the Councils' sewerage systems to the receiving waters. OEH issues environment protection licences for the Councils' sewage transportation and treatment systems. These licences stipulate quantity and quality conditions for discharge from each sewage treatment works and specify reporting requirements and operational controls for the pipe network and pumping stations.
- ▼ **NSW Health**, which is responsible for regulating the quality and safety of the Councils' drinking water.

In addition to these regulators, the Councils are also subject to planning approvals and regulatory requirements relating to their proposed developments.

4.4 The Councils' performance

The prices we determined for the Councils in 2009 were made to recover a certain level of forecast costs. We also indicated the impact of the prices on customers' bills and the outputs¹⁴ that could be expected from the revenue generated by our determined prices.

For this review, we will be seeking from the Councils a reconciliation of their actual costs over the 2009 Determination period against the costs we allowed when we set prices in the 2009 Determination, and an explanation of the variances.

¹⁴ In each of the Councils' price determinations, we set out the capital projects allowed for in making the determination and the output measure targets we expect them to meet over the determination period. Output measures are used as a means of monitoring the progress of the water utility in delivering its plans. The output measures are not in themselves targets to be achieved in the determination period, as there may be good reasons for variance.

4.4.1 Gosford Council's performance

The 2009 Determination for Gosford City Council

The 2009 Determination, which applies for the period from 1 July 2009 to 30 June 2013, set Gosford Council's prices to generate total revenue of \$308.6 million (\$2011/12).¹⁵ This reflected our assessment of Gosford Council's efficient costs of supplying water, sewerage and stormwater services to its customers. The effect of the 2009 Determination was that the bill of a household with average water consumption increased by a total of \$145 (\$2011/12) or 15.0% in real terms by the end of the determination period (3.6% per annum on average). The largest increase in bills was in 2009/10, which was as a result of our decision to load a larger portion of price increases in to the first year of the determination period and then increase prices gradually towards full cost recovery in the remaining years.

The 2009 Determination indicated that the decisions made on prices would allow Gosford Council to:

- ▼ improve the reliability and quality of Gosford Council's water supply
- ▼ meet the increasing demand for water in Gosford Council's area
- ▼ construct the Mardi to Mangrove link and associated schemes in conjunction with Wyong Council, which would enable the transfer of water from Mardi Dam to Mangrove Creek Dam
- ▼ invest in the Balickera pre-treatment facilities, which would increase water yield and enable the Councils to access water from Hunter Water
- ▼ upgrade sewage treatment plants to improve infrastructure reliability and minimise the risk of environmental harm, and
- ▼ undertake stormwater drainage projects to reduce the backlog of stormwater work.

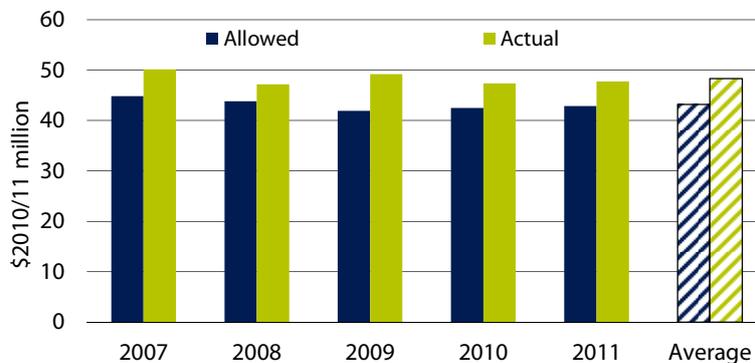
¹⁵ IPART, *Gosford City Council and Wyong Shire Council – Prices for Water, Sewerage and Stormwater Drainage Services from 1 July 2009 to 30 June 2013*, p 5, adjusted to \$2011/12.

Gosford Council's actual performance¹⁶

Gosford Council's actual performance in the period to 30 June 2011 compared to forecasts made in our determination is summarised below:

- ▼ Operating expenditure in 2010/11 was \$47.7 million (\$2010/11), which is 11.4% higher than allowed. This continues a similar trend over the previous 4 years (see Figure 4.2).
- ▼ Capital expenditure of \$72.3 million (\$2010/11) in 2010/11 was substantially higher (\$27 million or 59.6%) than allowed. This expenditure offsets a large under expenditure in 2009/10, the first year of the current determination. Over 5 years to 30 June 2011, Gosford Council has spent 8.0% more than we have allowed for in our determinations (see Figure 4.3).
- ▼ Water sales in 2010/11 were less than forecast by 1.1 GL, or an 8.1% difference. In the 5 years to 30 June 2011 water sales remained at a fairly constant level, and on average, have been 11% lower than forecast.
- ▼ In 2010/11, revenue was \$70.5 million (\$2011/12), which is 3.4% less than allowed in the determination. Over the last 5 years to 30 June 2011, revenue has been steadily increasing (in real terms).

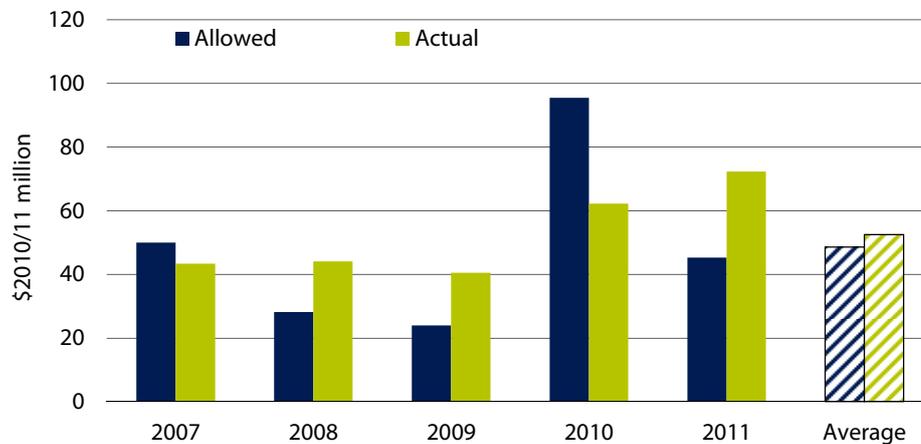
Figure 4.2 Gosford Council – actual v allowed operating expenditure (\$million, 2010/11)



Data source: IPART, NSW water utilities performance report, April 2012.

¹⁶ IPART, *NSW water utilities performance report*, April 2012.

Figure 4.3 Gosford Council – actual v allowed capital expenditure (\$million, 2010/11)



Data source: IPART, NSW water utilities performance report, April 2012.

4.4.2 Wyong Council's performance

The 2009 Determination for Wyong Shire Council

The 2009 Determination, which applies for the period from 1 July 2009 to 30 June 2013, set Wyong Shire Council's prices to generate total revenue of \$282.2 million (\$2011/12).¹⁷ This reflected our assessment of Wyong Shire Council's efficient costs of supplying water, sewerage and stormwater services to its customers. The effect of the 2009 Determination was that the bill of a household with average water consumption increased by a total of \$189 (\$2011/12) or 20.8% in real terms by the end of the determination period (4.8% per annum on average). The largest increases in bills were in 2009/10, which was as a result of our decision to place the majority of the price increase in the first year of the determination, and then gradually increase prices in the remaining years to a cost-reflective level.

The 2009 Determination indicated that the decisions made on prices would allow Wyong Shire Council to:

- ▼ more accurately reflect the efficient costs of providing water, sewerage and stormwater services
- ▼ recover its efficient operating costs and earn a realistic rate of return on its assets
- ▼ progress projects to improve the security of the water supply and the availability of water, including the Mardi to Mangrove link, in conjunction with Gosford Council

¹⁷ IPART, *Gosford City Council and Wyong Shire Council – Prices for Water, Sewerage and Stormwater Drainage Services from 1 July 2009 to 30 June 2013*, p 9, adjusted to \$2011/12.

- ▼ provide infrastructure for new growth centres
- ▼ increase the capacity of the water and sewerage systems to improve performance and reliability.

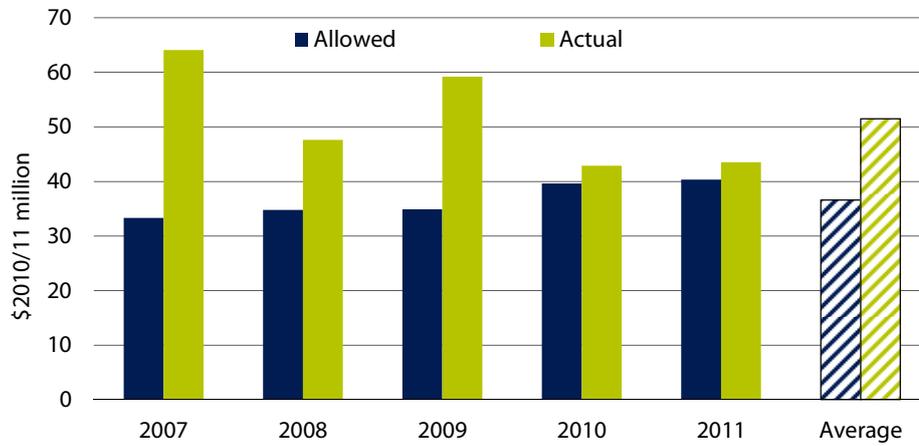
Wyong Council's actual performance¹⁸

Wyong Council's actual performance in the period to 30 June 2011 compared to the forecasts we made in our determination is summarised below:

- ▼ In 2010/11, operating expenditure was \$43.5million (\$2010/11) which exceeded the amount allowed in our determination by 7.9%. Wyong's operating expenditure has consistently been higher than we have allowed for, however over the last 2 years this variation has been significantly reduced. Over 5 years to 30 June 2011, its average operating expenditure was 40.6% higher than we have allowed for (see Figure 4.4).
- ▼ Wyong Council also reported a much larger capital expenditure of \$86.5 million (\$2010/11) in 2010/11 than allowed for in the determination, but this smooths out the under expenditure from the previous year. In total over the last 2 years, Wyong Council has spent \$13.7 million (\$2011/12) less capital expenditure than allowed for (see Figure 4.5).
- ▼ Over the last 5 years, water sales have been gradually increasing from 10.9 GL in 2006/07 to the current level of 12 GL. In 2010/11, water sales were 3.3% below the forecast amount. There has been less variation between the forecast and actual sales over the last 2 years than in the previous years.
- ▼ Revenue in 2010/11 was \$62.3 million (\$2010/11) which was 6.6% less than the forecast amount. Over the 5 years to 30 June 2011, actual revenue was 4.2% less than forecast for Wyong Council.

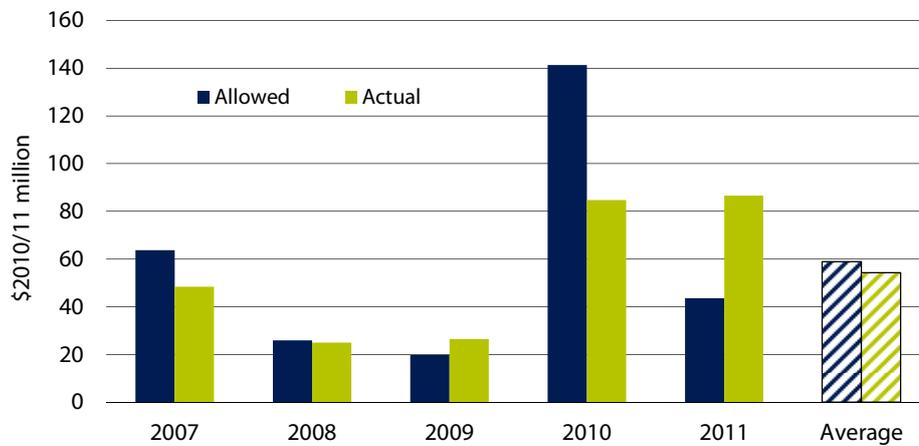
¹⁸ IPART, *NSW water utilities performance report*, April 2012.

Figure 4.4 Wyong Council – actual v allowed operating expenditure (\$million, 2010/11)



Data source: IPART, NSW water utilities performance report, April 2012.

Figure 4.5 Wyong Council – actual v allowed capital expenditure (\$million, 2010/11)



Data source: IPART, NSW water utilities performance report, April 2012.

5 IPART's price determination process

This chapter outlines our proposed approach to setting prices for the 2013 determination (Appendix B has a detailed description of the approach) and poses a number of questions related to the price-setting approach.

5.1 Length of the determination period

An early step in the price determination process is to determine the length of the price path. In recent metropolitan water determinations, we have generally opted for a 4-year price path eg, the 2012 Sydney Water determination.¹⁹ For those reviews, we considered that a 4-year price path struck an appropriate balance between providing certainty to the regulated business and limiting delays in customers benefitting from efficiency gains.

We will consider a number of factors when deciding on the length of the determination period for this review, including:

- ▼ The confidence we can place in the Council's forecasts. If, for example, the expenditure profile can only be reliably predicted for 2 years, a short determination period may be more appropriate.
- ▼ The alignment of the 2 Councils determinations. In previous reviews, we aligned the determinations of both of the Councils because they are relatively similar in size and operations and it allows easy comparison of prices of 2 similar utilities. Going forward the reasons to align the Councils' determination periods is driven by the establishment of the Corporation.
- ▼ The expected timeframe for the transfer of the Councils' water businesses to the Corporation.

The advantages of a longer determination period include stronger incentives for the Councils to increase efficiency; greater stability and predictability (which may lower the Councils' business risk and assist investment decision making); and reduced regulatory costs. Disadvantages include increased risk associated with inaccuracies in the data used to make the determination; possible delays in customers benefitting from efficiency gains (because prices are not set to account for these gains until the next determination); and the risk that changes in the industry will affect the appropriateness of the determination.

We are interested in obtaining the Councils' views and those of stakeholders in deciding on an appropriate length for the upcoming determination period.

¹⁹ IPART, *Review of Prices for Sydney Water Corporation's water, sewerage, drainage and other services, from 1 July 2012 to 30 June 2016*, June 2012.

Length of the Determination Period

We seek comments from stakeholders on:

- 1 The appropriate length of the price path for the 2013 determination period.

5.2 Determining the notional revenue requirement

A major step in the price-setting process is to determine the revenue required to calculate prices. We will use the 'building block' methodology to calculate Gosford and Wyong Councils' individual revenue requirements. The 'building block' costs of service provision comprise operations costs, depreciation (return of capital), rate of return (return on capital) and taxation costs.

Generally in our pricing reviews the approach is to translate the notional revenue requirement into a target revenue requirement having regard to the matters in section 15 of the IPART Act. However, in this review we may give more weight to other matters such as the move towards the alignment of prices in anticipation of the transfer of functions to the Corporation.

5.2.1 Operating expenditure and capital expenditure

We will analyse the efficient operating and capital costs of providing appropriate levels of service over the determination period. We will enlist the services of consultants to assist us in determining these efficient costs. In calculating the notional revenue requirement, we will also form a view on the efficiency gains the Councils can reasonably achieve over the determination period.

The purpose of incorporating efficiency gains into the notional revenue requirement is to provide the Councils with guidance on their potential to improve the efficiency of their operating and capital expenditures without reducing the quality of the services they deliver. They also have an incentive to pursue further gains because prices are set for the determination period and are not linked to costs actually incurred. If the Councils can achieve better than expected cost savings during the determination period, they can expect to earn a higher return than we forecast. Efficiency gains are also incorporated to provide a basis for our decision on the revenue requirement.

In deciding on an appropriate allowance for capital expenditure and applying the 'building block' approach, we will incorporate all renewals and maintenance capital expenditure where that expenditure is based on sound asset management practices and is appropriately justified by the Councils.

We are interested in obtaining the Councils' comments and explanations and the views of stakeholders about issues relating to the Councils' operating and capital expenditures.

Capital Expenditure over the 2009 and 2013 Determination Periods

We seek comments from stakeholders on:

- 2 The prudence of the Councils' capital expenditure over the current determination period.
- 3 The Councils' projected capital expenditure program, including expenditure drivers, proposed service outcomes and scope for efficiency gains, to be outlined in its submission.

Operating Expenditure over the 2009 and 2013 Determination Periods

We seek comments from stakeholders on:

- 4 The efficiency of the Councils operating costs over the current determination period and the efficiency of their projected operating costs (outlined in their submission).
- 5 The scope for the Councils to achieve further efficiency gains over the upcoming determination period.
- 6 The methodology and major assumptions used to develop the Councils' forecast operating expenditures.

5.2.2 The weighted average cost of capital (WACC)

There are several approaches for calculating the appropriate return on the Regulated Asset Base (RAB).²⁰ In most past determinations we have used the real pre-tax Weighted Average Cost of Capital (WACC) to determine an appropriate range for the rate of return. The WACC is the weighted average of the cost of debt and equity. We use the Capital Asset Pricing Model (CAPM) to derive the cost of equity, and calculate the cost of debt as a margin over the risk free rate.

As part of our new approach to incorporation of company tax, for the first time for the Councils we have decided to use a real post-tax WACC. Our recent research indicates that this approach leads to a more accurate estimate of a water utility's tax liability compared to using a real pre-tax WACC. We consider a real post-tax WACC more accurately estimates the tax liability for a similar well-managed, privately owned business. Under this approach, tax will be included as a separate cost building block.

We are interested in obtaining the Councils' views on our adoption of a post-tax WACC.

²⁰ The RAB is IPART's valuation of a water utility's asset base.

5.2.3 The return of capital

The return of capital building block (depreciation) reimburses the water utility for the cost of the wear and tear on its assets. In previous determinations for the Councils, we have calculated the depreciation requirement based on the total value of the RAB and using a straight line approach over the average life of the assets. This means that the total value of the RAB is recovered over that period.

In our recent review of Sydney Water prices we decided to maintain Sydney Water's approach to applying different asset lives to different asset classes for new and existing assets. We agreed that this approach is a step forward because it allows a more accurate assessment of the efficient recovery of the cost of an investment over the life of the asset. We will consider using this approach for the calculation of the Councils' depreciation allowances.

We may engage consultants to conduct a review of the Councils' asset lives but this will depend on the information presented in the Councils submissions. If we do engage consultants, their reports will be made available for public review. Interested stakeholders can then comment on the consultant's report as part of their submission to our draft pricing report for the Councils.

We are interested in obtaining the Councils' views and proposed approach to calculating depreciation.

5.3 Forecasting metered water sales and customer numbers

Once we have established the notional revenue requirement, we will initially set prices for individual services to attain that revenue. Prices are set based on forecast water sales and customer numbers. Customer numbers are used to calculate fixed charges and water sales are used to calculate usage charges. It is important that these forecasts are accurate because if forecasts differ markedly from actual figures, the prices set will cause the Councils to potentially over or under-recover their required revenue.

We are interested in obtaining the Councils' views and those of stakeholders in deciding on appropriate values for forecast water sales and customer numbers.

Forecasting metered water sales

We seek comments from stakeholders on:

- 7 The level of the Councils' forecast water sales for the upcoming determination period.
- 8 The Councils' methodologies and assumptions used in developing their water sales forecasts.

5.4 Price Structures and price levels

The next step in our price review process is to identify the broad pricing approaches the Councils can apply to translate the revenue requirement into prices, and to assess the overall average impact of each of these approaches on customers and the Councils.

We also evaluate the proposals advanced by the Councils in their submissions.

Our general approach to pricing for metropolitan water utilities is to set a combination of periodic fixed and usage charges. The current price structure for Gosford and Wyong Councils has the following key features:

- ▼ uniform or 'postage stamp' pricing for water and sewerage services within each Council's area of operations
- ▼ most of the costs associated with sewerage and stormwater services are recovered through fixed charges
- ▼ water usage charges are designed to encourage efficient water consumption and are set with reference to the long-run marginal cost (LRMC) of water supply²¹
- ▼ fixed charges for water services are calculated as the residual of the revenue requirement not recovered through usage charges or developer charges
- ▼ fixed and variable charges for trade waste and miscellaneous charges
- ▼ a methodology for calculating developer charges.

Section 15 of the IPART Act sets out the matters we are required to take into account in deciding price levels, including the Councils financial viability, the impact of prices on customers, and the alignment of prices for the transfer of functions to the Corporation. Balancing these competing interests may mean the actual target revenue to be recovered through prices is less or more than our determined notional revenue requirement.

We have recently completed a review of price structures²² for the metropolitan retail water authorities that we regulate. The review of price structures was aimed at implementing prices that are cost-reflective, encourage efficient consumption levels and ensure that pricing principles are consistent across the regulated water utilities. The principles that we established for price structure are shown in Box 5.1.

²¹ The LRMC represents the incremental cost of measures to bring supply and demand into balance over the longer term.

²² IPART, *Review of price structures for metropolitan water utilities*, March 2012.

Box 5.1 IPART's principles for price structure for metropolitan water utilities

General principles

- ▼ Changes to the structure of water and sewerage prices are to be phased in over a transition period where necessary to minimise customer impacts.
- ▼ The total revenue collected from residential customers is to reflect the costs incurred in serving those customers. The total revenue collected from non-residential customers is to reflect the costs incurred in serving those customers.
- ▼ Customers imposing similar costs on the system should pay similar charges.

Residential and non-residential water usage charges

- ▼ The water usage charge is to be a standard variable charge for all customers – residential and non-residential – and be set with reference to the utility's long run marginal cost of supply.

Residential water and sewerage service charges

- ▼ The residential water service charge is to be a standard annual charge^a for all residential dwellings unless there is evidence that there are material differences in the costs of servicing different residential property types.
- ▼ The residential sewerage service charge is to be a standard annual charge^a for all residential dwellings unless there is evidence that there are material differences in the costs of servicing different residential property types.

Non-residential water service charges and sewerage usage and service charges

- ▼ The non-residential sewerage usage charge is to be a standard variable charge for all customers set with reference to, but not necessarily equal to the utility's short run marginal cost of transporting, treating and disposing of domestic-strength effluent.
- ▼ The total sewerage revenue (usage and service charges) collected from non-residential customers is to reflect the costs incurred in servicing those customers.
- ▼ The total water revenue (usage and service charges) collected from non-residential customers is to reflect the costs incurred in servicing those customers.

^a It may be billed on a quarterly or 4-monthly pro-rata basis by the utility.

We applied the objectives of cost reflectivity and consistency to prices in the 2012 Sydney Water Determination. We will set prices for the Councils with reference to the objectives outlined in the price structures review and, where practical, ensure that they are consistent with pricing decisions made for the 2012 Sydney Water review. However in doing so, another key consideration in this review, is the transfer of functions of the Councils to the Corporation. This means that our review of price structures for the Councils we will also give weight to the alignment of prices between the Councils to reduce the price impacts to customers once the transfer is completed.

For example, when we compare the current charges of each Council, we note that they are cost reflective but there are differences in some charges. If we decide to determine common charges for all customers when we determine charges for the Corporation, these differences may create barriers to implementation. Table 5.1 shows the current 2011/12 price levels for each Council.

Table 5.1 Water, sewerage and stormwater charges in Gosford and Wyong Councils' areas (\$2011/12)

	Water	Water usage (per kL)	Sewerage	Stormwater
Residential				
Gosford	96.44	1.98	508.18	78.60 ^a
Wyong	157.53	1.98	450.31	87.23 ^b
Non-residential				
Gosford	96.44	1.98	508.18 min	78.60
Wyong	157.53	1.98	450.31 ^c	87.23

^a Applies to all properties.

^b Only applies to properties that are connected to Council's water supply system. Drainage charges for single residential dwellings are \$87.23, residential strata units and other residential properties pay \$65.42 per unit. Non-residential properties are charged a variable amount from \$87.23 according to the size of the property's water supply meter.

^c Depending on services required.

Source: Gosford and Wyong Shire Council websites.

We will evaluate the impact on customers in deciding on price structures and levels. This involves considering the magnitude of price increases in each year of the determination period and the effect of these increases on customer bills for varying consumption levels.

In considering financial viability and sustainability, we will examine the Councils' financial ratios and financial reports, taking into account their existing cash and debt levels and their ability to service debt obligations and to pay dividends.

We will consider economic efficiency, and will examine the signals sent to customers through prices; whether prices for services reflect the costs of providing them; and consistency with long run marginal cost (where the charge for a service is equal to the cost of providing the next unit of supply, assuming a supply augmentation).

We expect the Councils will provide us with their proposed price structures and price levels for the 2013 Determination period for water, sewerage, stormwater and other associated services. Both Councils should also take into account the possibility that prices may be determined for the Central Coast as a whole in the future. Where the Councils propose changes to price levels and structures, they will need to provide appropriate data to justify the changes. Sound and verifiable data on the costs of providing each of their services (including water, sewerage, trade waste, stormwater and miscellaneous and ancillary services) to each customer class or group is necessary for assessing the cost reflectivity and efficiency of price structures and levels.

We are interested in obtaining the Councils' views and those of stakeholders in deciding on appropriate price structures and price levels for the upcoming determination period.

Price Structures and Price Levels

We seek comments from stakeholders on:

- 9 The Councils' proposed price structures and levels for residential and non-residential charges for the 2013 Determination in terms of fixed and usage charges.
- 10 The evidence provided by the Councils in pricing submissions of customers' willingness to pay for the Councils' service levels and proposed expenditures.

5.4.2 Other services

As part of the review, we will set charges for a number of other services, including stormwater drainage services, trade waste services and other sewerage charges, and ancillary and miscellaneous customer services. Descriptions of these charges are outlined below. We will be seeking the Councils' proposals regarding these charges, including supporting cost information.

We have previously engaged independent consultants to review trade waste charges (in 2003) and miscellaneous charges (in 2005) and to provide advice on individual charges that should be set. In this review, we may engage consultants to review the Councils' charges for some of these other services. This is likely to depend on the Councils' proposed charges for these services, and in particular, the significance of any suggested changes.

As is the case with prices for its other services, any proposed change to other services' prices by the Councils should be supported by sufficient cost information and justification.

Stormwater drainage charges

The Councils provide services to remove water run-off (stormwater) from properties. Gosford Council currently levies a common fixed stormwater charge for all customers and Wyong Council levies a common fixed charge for residential and a meter based charge for non-residential customers.

IPART has adopted an area-based stormwater charging system for the 2012 Sydney Water pricing determination. Generally, this means that the larger the area of a property, the larger the charge for stormwater run-off costs.

In its submission to the 2009 review, Wyong Council proposed a non-residential stormwater drainage charge based on the size of the property being serviced. Wyong Council stated in its submission that it considered that its proposal was revenue neutral and should be adopted. However, it was unable to provide any information or analysis to support this claim. We were therefore unable to assess the impact of Wyong Council's proposal on revenue or individual customers and we introduced common fixed charges and meter based charges.

Trade waste charges

The Councils charge trade waste fees for the receipt and treatment of waste to standards acceptable for discharge. Trade waste costs can be a function of several factors, including transportation costs, treatment plant operating and capital costs, administration costs and the load-based licensing fees that the Office of Environment and Heritage charges the Councils for sewerage discharges.

Ancillary and miscellaneous charges

IPART sets miscellaneous charges for a range of ancillary services that the Councils provide, including special meter readings, statements of available pressure and flows and applications for water service connection. These charges do not account for a large proportion of the total revenue earned by the Councils, but they can be significant for those customers who are required to pay for them.

5.5 Service quality standards and output measures

In determining the Councils' prices, we will consider the relationship of actual and proposed expenditure to service quality outcomes, and ensure an appropriate matching of service quality levels with customers' willingness to pay.

We expect that the Councils' required existing standards of service will, at a minimum, be maintained as a result of our price determination process. Performance monitoring of non-metropolitan Local Water Utilities is undertaken annually by the NSW Office of Water in the NSW Water Supply and Sewerage Benchmarking Report. That Office also provides Best Practice Guidelines for the management of water supply and sewerage, which requires utilities to provide annual performance data and allows utilities to be benchmarked against other similar utilities. In addition, the National Water Commission (NWC) has developed a set of performance indicators to be applied across water utilities throughout Australia.²³ We will use these instruments and the results from our current NSW Water Utilities Performance Report²⁴ to assess the performance of the Councils against other similar local water utilities and determine whether their levels of performance are appropriate.

In the 2009 determinations, we specified a set of output measures based on each Council's proposed expenditure program and asked for a list of each Council's proposed capital projects. We have required the agencies to monitor expenditure on these projects and provide annual progress reports throughout the determination period.²⁵ For this review, we will be seeking information from the Councils on their performance against those output measures and we will set new targets for the upcoming determination period.

We are interested in obtaining the Councils' views and those of stakeholders in regard to appropriate service levels and the Councils' results against their output measures.

Service quality standards and output measures

We seek comments from stakeholders on:

- 11 Are the Councils' current service levels appropriate?

5.6 Consumer consultation

In developing expenditure programs and pricing proposals, we consider that water utilities should take into account their customers' views on the appropriate level and allocation of expenditure as well as the level and structure of prices, and obtain customers' views on the adequacy and accessibility of customer assistance measures.

²³ Water Services Association of Australia and National Water Commission, *National Performance Report 2006-2007 for urban water utilities*, 2008.

²⁴ IPART, *NSW water utilities' performance report*, April 2012.

²⁵ Appendix E contains lists of the results for 2010/11 of the Councils' activities in relation to output measures and capital programs.

The Councils should provide evidence of any customer consultation that has occurred in developing their expenditure programs and pricing proposals, and outline the mechanisms that they use for undertaking customer consultation, as relevant. The Councils' submissions should be accompanied by a short plain English, non-technical summary of their price proposal that contains a clear statement of the impact on customers. Any proposals for discretionary expenditure should be supported by evidence of customer engagement. That is, evidence of customer willingness to pay where new charges are introduced or large discretionary expenditures are being undertaken.

We are interested in obtaining information from the Councils about any customer consultation they have undertaken and any proposed discretionary expenditure.

Customer consultation undertaken for discretionary expenditure

We seek comment and feedback from stakeholders on:

- 12 The level of customer consultation that was undertaken in developing the Councils' expenditure programs and pricing proposals. Whether the mechanisms used for undertaking customer consultation were appropriate and adequate and the degree to which stakeholder input was taken into account in the development of the Councils expenditure and pricing proposals.
- 13 The evidence of customer support for discretionary expenditure, if the Councils have proposed to undertake any of this expenditure. Where the Councils are proposing to undertake this expenditure, whether the methods used for gathering evidence of customer support were appropriate and adequate, and how these methods could be improved.

6 Central Coast Joint Issues

6.1 Price for transfers of Bulk Water to Hunter Water

Bulk water can be transferred from Hunter Water's area to the Central Coast and vice versa. Although there have been transfers from the Central Coast to the Hunter, in recent times the water transfer tunnel has primarily been used to augment the Central Coast's water supply.

These transfers are covered by a water trading/supply arrangement which ceases in 2026. IPART set prices for transfers as part of the 2009 reviews for the Councils and Hunter Water. We set identical charges for each utility, based on the average cost of water for Hunter Water, but the calculation was complicated by considerations at that time involving the proposed Tillegra Dam. We indicated that we would review our calculation methodology for the next periodic pricing determinations. As well, the common prices were set in a determination separate to the Councils' and Hunter Water's because of timing issues involving the release of the periodic pricing determinations for the Councils and for Hunter Water.

Therefore, for this review, we will review our pricing methodology for bulk water transfers and will decide if a separate determination is still appropriate.

We are interested in obtaining the Councils' views in deciding on an appropriate methodology for calculating the charge for bulk water transfers.

7 Gosford Council – existing issues

7.1 The method for forecasting operating expenditure and the incentives for achieving efficiency gains

In conducting the review of Gosford Councils' past and forecast operating expenditure for the 2009 Determination, our consultants Halcrow noted that Gosford Council's practice of setting its annual budgets by rolling forward the previous year's spend and making adjustments for material changes to the operating environment provides little incentive to identify potential savings in the operating budget.

We are interested in obtaining Gosford Council's views on its current budgeting methodology.

7.2 The customer impacts of Gosford City Council's pricing proposals

For the 2009 Gosford and Wyong Council price reviews, we asked the Councils to identify the potential customer impacts of their proposals, including options explored to mitigate or minimise these impacts.²⁶ In our 2009 final report, we considered that Gosford Council did not address this issue sufficiently in its submission to the 2009 price review. Stakeholder submissions at the time were also critical of the Councils for failing to outline what measures they proposed to alleviate the financial burden on vulnerable customers.²⁷

²⁶ IPART, *Review of prices for water, sewerage and stormwater services for Gosford City Council and Wyong Shire Council*, Issues Paper, July 2008, p 39.

²⁷ See, for example, Public Interest Advocacy Centre (PIAC) submission, October 2008; and NSW Council of Social Service (NCOSS), October 2008.

For the 2013 review, we expect that Gosford Council will provide a more comprehensive analysis of the impacts on customers of its pricing proposals. Gosford Council should also provide a detailed analysis of the options explored to ameliorate customer impacts.

In our 2009 final report, we noted Gosford Council's intention to develop assistance measures having regard to the results of IPART's household survey of customers in the Hunter, Gosford and Wyong regions. We published this survey in December 2008.²⁸ We consider that Gosford Council should now have sufficient information to develop assistance measures for customers facing financial hardship.

We are interested in obtaining information from Gosford Council about the impacts of its pricing proposals.

8 Wyong Council – existing issues

8.1 Wyong Council's revenue requirement calculations

We encountered some problems with Wyong Council's calculation of its revenue requirement for the 2009 review. They arose because Wyong Council did not use a building block methodology and because of the way it allocated corporate overheads.

In its 2009 submission, Wyong Council's revenue calculation implied a rate of return on assets of approximately 2% per annum (real pre-tax). This is well below the rates of return sought by other utilities regulated by IPART and hence may not be enough to ensure long term financeability for this business. For the 2013 Determination, we expect Wyong Council to use the building block approach to calculate its proposed revenue requirement.²⁹ Wyong Council should outline in its submission how it arrived at its proposed revenue requirement for the 2013 Determination. It should also provide a breakdown of the components of its proposed revenue requirement.

Our operating and capital expenditure consultants Halcrow found that some forecast operating expenditure that related to water, sewerage and stormwater drainage services had been misallocated to corporate overheads in Wyong Council's calculations.

²⁸ IPART, *Residential Energy and Water Use in the Hunter, Gosford and Wyong – Results from the 2008 household survey*, December 2008, available from: www.ipart.nsw.gov.au.

²⁹ We have supplied Wyong Council with a copy of our financial model which is based on the building block methodology.

After consultation with Wyong Council in the period leading up to this review, we have developed a number of suggestions that we consider that Wyong Council should take into account in developing its submission to the 2013 price review. These suggestions are as follows:

- ▼ In putting forward its operating expenditure forecasts for the 2013 price review, Wyong Council should consider undertaking an investigation of corporate overheads.
- ▼ If the proportion of corporate overhead expenditure increases as a proportion of total operating expenditure, then we will require justification for this.
- ▼ We consider that Wyong Council should compare the proportion of its corporate overheads to its total operating expenditure to other councils of a similar size. Examples of similarly sized council areas include Gosford City, Shoalhaven, Coffs Harbour and Mid Coast Water.
- ▼ Wyong Council needs to ensure that only relevant expenditures are included in corporate overheads. Expenditures that are attributable to water, sewerage or stormwater should be allocated appropriately to these areas.

We are interested in obtaining information from Wyong Council about its corporate overheads and its methodology for allocating corporate costs to water, sewerage and stormwater services.

8.2 The customer impacts of Wyong Shire Council's pricing proposals

In its submission to our 2009 draft report, Wyong Council outlined its approach to dealing with customers in financial difficulty including that it works with customers in financial difficulty to develop payment plans but it does not pursue debt recovery unless there is an absolute failure by the customer to cooperate.

In the 2009 Determination, we requested that Wyong Council join the Energy and Water Ombudsman (EWON) scheme. The EWON scheme offers an independent dispute resolution service that is free for customers to use and offers an additional avenue for customers to provide feedback and raise important issues. Wyong Council has since joined this scheme.

For the 2013 review, we expect that Wyong Council will:

- ▼ provide a comprehensive analysis of the impacts on customers of its pricing proposals
- ▼ provide a detailed analysis of any new options it has explored to ameliorate customer impacts
- ▼ outline any changes that have occurred to its customer assistance measures since the 2009 review and explain the implications of the changes.

We are interested in obtaining information from Wyong Council about the impacts of its pricing proposals.



Appendices

A Matters to be Considered by IPART under Section 15 of the IPART Act

In making determinations IPART is required, under Section 15 (1) of the IPART Act, to have regard to the following matters (in addition to any other matters IPART considers relevant):

- a) the cost of providing the services concerned
- b) the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services
- c) the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales
- d) the effect on general price inflation over the medium term
- e) the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers
- f) 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
- g) 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
- h) 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
- i) the need to promote competition in the supply of the services concerned
- j) considerations of demand management (including levels of demand) and least cost planning
- k) the social impact of the determinations and recommendations
- l) standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

B IPART's approach to setting prices

IPART regulates the agencies' monopoly water, sewerage, stormwater and recycled water services by determining maximum charges.

Our approach to setting maximum prices involves the following steps:

1. Determine the agencies' notional revenue requirement based on an analysis of the efficient operating and capital costs the business should incur to provide appropriate levels of service during the price path period.
2. Identify appropriate forecast metered water sales and customer numbers.
3. Identify the broad pricing approaches that could feasibly be applied for the agency to translate the revenue requirement into prices, and assess the impact of each approach on customers and the agencies. The approaches considered will include:
 - a) unsmoothed revenue requirement - where prices (and X-factors) are set to match the profile of the notional revenue requirement
 - b) smoothed revenue requirement - where a single X-factor is set to ensure that an agency's targeted revenue equals its notional revenue requirement in NPV terms throughout the determination period
 - c) glide path - where a single X-factor is set to ensure that prices change smoothly over the determination period in real terms, and that an agency's targeted revenue in the final year of the determination period equals its notional revenue requirement for that year
 - d) P-nought adjustment and glide path - where 2 X-factors are set. The first X-factor is set to deliver a P-nought adjustment to prices in the first year of the determination period. The second X-factor is set so that average prices increase smoothly over the rest of the determination period and the expected revenue in the final year of the period is equal to the notional revenue requirement in that year.
4. Identify feasible pricing structures and calculate actual prices for all or a selection of the pricing options identified in Step 3, then assess the implications of these prices in the context of the factors in section 15 of the IPART Act. Specifically, this includes considering the impact of prices on customers and the agency's financial viability:
 - a) in considering customer impact, typical analysis would consider the magnitude of real price increases in 2013/14 compared to 2012/13, and over the whole determination period; the effect of these increases on average bills, and relative bill size compared with other NSW agencies and other jurisdictions

- b) in considering financial viability and sustainability, we will need to examine the agency's forecast credit rating ratios, taking into account its existing cash/debt levels and its ability to pay dividends; and the 'benchmark financial structure' consistent with the WACC parameter assumptions made by us in this determination
 - c) in considering economic efficiency, we will need to examine the signals sent to customers and cost reflectivity.
5. Decide on the pricing structure and level for the determination to take account of the interests of the agencies, customers and stakeholders, recognising that the balancing of these different interests could mean that the target revenue derived by prices is different to our determined notional revenue requirement.

C Information Required from the Councils

We seek comment and explanation from Gosford and Wyong Councils on the following issues:

Length of the Determination Period

- 1 The appropriate length of the price path for the 2013 Determination period and the reasons for this view.

Capital Expenditure over the 2009 and 2013 Determination Periods

- 2 Gosford and Wyong Councils' individual capital expenditures over the current determination period, drivers of this expenditure and service outcomes achieved.
- 3 Gosford and Wyong Councils' individual capital expenditures over the current determination period compared to expenditure we allowed for in the 2009 Determination, and an explanation of variances.
- 4 Gosford and Wyong Councils' projected capital expenditures for 10 years into the future to the extent possible and level of accuracy obtainable; drivers of this expenditure; expected service outcomes; the robustness of the business case for these expenditures; the practicality of the projects being delivered within the proposed timeframe; the reasonableness of cost estimates; and stakeholder willingness to pay for service levels.
- 5 The value, timing and description of any contributions (including contributed assets) to the Councils from government and/or other sources by year.
- 6 The extent to which the Councils have carried out options analysis for proposed expenditures (eg, conducting cost benefit analysis and business case analysis). We will be reviewing a selection of projects costing \$1,000,000 or more for this purpose.
- 7 The Councils' approach to the allocation of shared or common costs to activities and customers and the rationale for this allocation.

Operating Expenditure over the 2009 and 2013 Determination Periods

- 8 Gosford and Wyong Councils' individual operating expenditures over the current determination period, drivers of this operating expenditure and service outcomes achieved.
- 9 Gosford and Wyong Councils' individual operating expenditures over the current determination period compared to expenditure we allowed for in the 2009 Determination, and an explanation of variances.
- 10 Gosford and Wyong Councils' individual projected operating expenditures over the upcoming determination period, drivers of this expenditure, service outcomes to be achieved, specific efficiency programs, the potential for efficiency gains, and stakeholders' willingness to pay for service levels.

- 11 The methodology and major assumptions used by Gosford and Wyong Councils to develop their forecast operating expenditures.
- 12 The Councils' assessment of the proposed trend in forecast operating expenditure over the 2013 Determination period and the relationship between this trend and the Councils' obligations and service standards, having regard to expected productivity improvements, historical expenditures, trends in input prices, relevant benchmarks and any other relevant factors.

Determining the weighted average cost of capital

- 13 The post-tax rate of return that each Council is seeking, and the justification for this rate of return.
- 14 The inputs needed for the tax calculation.
- 15 Any disadvantages arising from the use of a post-tax WACC in the calculation of each Council's WACC.

Determining the return of capital

- 16 The Councils' proposed approach to the treatment of depreciation of assets for the 2013 Determination.

Forecasting metered water sales

- 17 The Councils' assessment of the level of forecast water sales for the upcoming determination period.
- 18 The Councils' methodologies and assumptions used in developing these forecasts.

Customer Numbers for the 2009 and 2013 Determinations

- 19 The number of the Councils' actual customers over the 2009 determination period and the forecast numbers of customers for the proposed 2013 determination period.

Price Structures and Price Levels

- 20 The Councils' proposed price levels and structures for the 2013 Determination for each tariff included in the 2009 Determination. If the Councils propose that a tariff is no longer required, the Councils should give reasons.
- 21 The reasoning or justification for each of the Councils proposed tariffs that addresses the following factors:
 - The relationship between the proposed tariff and the forecast costs of service provision.

- The relationship between the proposed tariff structure and the tariff structure included in the 2009 Determination. If the Councils propose a new or revised tariff structure, the submission should clearly describe the rationale for the proposed variation, the proposed price levels, cost of the services involved and sufficient detail to allow IPART to replicate the analysis.
 - Analysis of any customer ‘willingness to pay’ information available to the Councils, and/or a discussion of any customer consultation engaged in their pricing proposals.
 - The methodology for calculating the tariff, including major assumptions.
- 22 The Councils’ methodologies used to determine water and sewerage service charges.
- 23 The Councils’ consideration to the transfer of functions to the Corporation in regards to impacts on customers.

Service quality standards and output measures

- 24 The uncertainties/risks in the Councils’ operating environments over the upcoming determination period and beyond, including the nature of these uncertainties/risks and the likelihood that they will impact on specific costs (for example, electricity charges).
- 25 How the Councils have ascertained the appropriate service levels to be provided over the upcoming determination period, and how these service levels relate to forecast costs.
- 26 The Councils’ assessment of their performance against the requirements of the 2009 Determination, including their current results against the output measures listed in Appendix B of the 2009 Determination.
- 27 Appropriate output measures for each Council for the upcoming determination period.

Bulk water transfers

- 28 The appropriate methodology for establishing a charge for transfers of bulk water to the Hunter Water area.

Incentives for efficiency gains in operating expenditure

- 29 How Gosford Council’s current methodology for budgeting for operating expenditure provides an incentive for savings in the operating budget.

Customer impacts of Gosford Council’s proposed prices

- 30 The impacts on Gosford Council’s customers of its pricing proposals and an analysis of these impacts on customer bills by customer group, consumption level or other relevant category.

- 31 The options that Gosford Council has explored for mitigating or minimising customer impacts, as well as its proposals for the appropriate mechanisms that should be introduced to mitigate customer impacts.

Allocation of Wyong Council's overhead costs

- 32 How it has allocated forecast operating expenditure, and how it has determined corporate overheads.

Customer impacts of Wyong Council's proposed prices

- 33 The impacts on customers of its pricing proposals and an analysis of these impacts on customer bills by customer group, consumption level or other relevant category.
- 34 Any new options that were explored for mitigating or minimising customer impacts, as well as Wyong Council's proposals on any new mechanisms that should be introduced to mitigate customer impacts.

The costs of transitioning to the Corporation

- 35 The anticipated costs of transferring their functions to the Central Coast Water Corporation, and how the financial impacts on the Councils will be managed. The Councils should provide a breakdown of these costs as appropriate.
- 36 Whether the Councils intend to retain any of their water, sewerage, stormwater or other water related functions and the reasoning behind their decisions.
- 37 The progress of the transfer of operations to the Corporation.

Customer consultation undertaken for discretionary expenditure

- 38 The level of customer consultation that was undertaken in developing the Councils' expenditure programs and pricing proposals. The Councils should outline the mechanisms that they use for undertaking customer consultation and how this feedback is taking into account in developing their pricing proposals.
- 39 In their pricing submissions, the Councils should include a short plain English, non-technical summary of their price proposal that contains a clear statement of the impact on customers.
- 40 Whether they are proposing to undertake any discretionary expenditure for the 2013 Determination. If so, this should be supported by evidence of customer engagement ie, evidence of customer willingness to pay where new charges are introduced or large discretionary expenditures are being undertaken.

Area based stormwater charging

- 41 The potential introduction of area-based stormwater charging.

D List of issues for stakeholder comment

We seek comments from stakeholders on:

Length of the Determination Period

1	The appropriate length of the price path for the 2013 determination period.	18
2	The prudence of the Councils' capital expenditure over the current determination period.	19
3	The Councils' projected capital expenditure program, including expenditure drivers, proposed service outcomes and scope for efficiency gains, to be outlined in its submission.	19
4	The efficiency of the Councils operating costs over the current determination period and the efficiency of their projected operating costs (outlined in their submission).	19
5	The scope for the Councils to achieve further efficiency gains over the upcoming determination period.	19
6	The methodology and major assumptions used to develop the Councils' forecast operating expenditures.	19
7	The level of the Councils' forecast water sales for the upcoming determination period.	20
8	The Councils' methodologies and assumptions used in developing their water sales forecasts.	20
9	The Councils' proposed price structures and levels for residential and non-residential charges for the 2013 Determination in terms of fixed and usage charges.	24
10	The evidence provided by the Councils in pricing submissions of customers' willingness to pay for the Councils' service levels and proposed expenditures.	24
11	Are the Councils' current service levels appropriate?	26
12	The level of customer consultation that was undertaken in developing the Councils' expenditure programs and pricing proposals. Whether the mechanisms used for undertaking customer consultation were appropriate and adequate and the degree to which stakeholder input was taken into account in the development of the Councils expenditure and pricing proposals.	27

- 13 The evidence of customer support for discretionary expenditure, if the Councils have proposed to undertake any of this expenditure. Where the Councils are proposing to undertake this expenditure, whether the methods used for gathering evidence of customer support were appropriate and adequate, and how these methods could be improved.

27

E Output measures and capital expenditure programs

Output measures

Tables E.1 and E.2 show the Councils' results against their determined output measures for 2010/11.

E.1 Gosford City Council

Table E.1 Gosford City Council – Activity against output measures 2010/11

Output or activity measure	Indicator of activity by 2011/12	Activity 2010/11
Water		
1. Water quality complaints	No more than 10 per 1,000 properties	9.3
2. Water main breaks	No more than 10 per 100 km of main	27.97
3. Average leakage	ML/d	3.64
4. Renewal of water mains	Km	2.26
Wastewater		
5. Wastewater odour complaints	No more than 2 per 1,000 properties	1.9
6. Wastewater main breaks and chokes	No more than 12 per 100 km of main	41.52
7. Wastewater overflows	No more than 9.5 per 100 km of main	38.55
8. Kincumber and Woy Woy STP upgrade	Complete	Progressing towards completion by the end of the determination period.
9. Coastal Carrier wastewater system upgrade	Complete	Progressing towards completion by the end of the determination period.
10. Comply with DECC effluent standards	All STPs	No

Source: Gosford City Council, *Annual Progress Report 2011 – Compliance against operating expenditure, capital expenditure and output measures*, report submitted to IPART in October 2011.

Comments³⁰

10. Alternative method of flow volume estimation used due to failure of outfall flow meter. Replacement works underway. Nitrogen load limit exceeded. Aeration upgrade underway which will improve nitrogen removal. Oil and grease load limit exceeded. Review of trade waste contributors to identify sources underway.

³⁰ Comments provided by Gosford City Council, *Annual Progress Report 2011 – Compliance against operating expenditure, capital expenditure and output measures*, report submitted to IPART in October 2011.

E.2 Wyong Shire Council

Table E.2 Activity against output measures 2010/11

Output or activity measure	Indicator of activity by 2011/12	Activity 2010/11	2011/12 YTD progress as at September 2011
Water			
1. Water quality	100% compliance with NHMRC monitoring guidelines	100%	100%
2. Water quality	100% compliance with NHMRC health guidelines	100%	100%
3. Water quality complaints	No more than 5 per 1000 customers annually	17.2	5.3
4. Interruptions	Less than 5% of customers have service interrupted (planned or unplanned) that total more than 5 hours in a year	0.01%	0.01%
5. Water pressure	Water pressure at least 15m for at least 98% of customers on an annual basis	99.9%	99.9%
6. Customer satisfaction	No more than 15% of customers dissatisfied with the service delivered	5.0%	0%
Sewerage			
7. Effluent discharges	Effluent discharges to the ocean meet DECC licence conditions 100% of the time	100%	100%
8. Wastewater odours	Less than 1% of properties experience odours on an annual basis	0.3%	0.5%
9. Wastewater overflows	Less than 1% of properties experience overflows on an annual basis	0.7%	0.7%
10. Customer satisfaction	No more than 5% of customers dissatisfied with the service delivered	3.5%	0%

Source: Wyong Shire Council, *Wyong Shire Council – Activity against output measures and capital expenditure program 2010/11*, report submitted to IPART in November 2011.

Comments³¹

The September YTD performance has been annualised.

Reduced performance against water quality in 2010/11 was impacted by a higher than anticipated level of complaints arising out of system changes associated with the completion and commissioning of new works at Mardi Dam and Mardi High Lift Pumping Station.

Activity against capital expenditure programs

Tables E.3, E.4 and E.5 show the capital expenditure of the Councils and the Councils' Joint Water Authority against IPART's allowed spend over the current determination period.

³¹ Comments provided by Wyong Shire Council, *Wyong Shire Council – Activity against output measures and capital expenditure program 2010/11*, report submitted to IPART in November 2011.

E.3 Gosford City Council

Table E.3 Gosford Council - Activity against capital expenditure program 2010/11
(\$m, 2010/11)

	Actual spend, cumulative 2008 to 2011	Allowed spend over determination period
1. Water Main Renewals – Unallocated Budget	5.764	10.527
2. Meter Replacement Program	1.410	2.273
3. Water Quality 2010	7.079	2.984
4. JWS Gosford CBD	0.059	1.112
5. Contract Management	0.187	1.146
6. JWS Mardi Highlift PS Assoc Works	0.647	2.256
7. JWS Wtp Mech/Elect Renewal/Refurbish Unallocated	2.499	1.106
8. Minor SPS Replacement – Mech/Elec	3.672	15.911
9. Sewer Gravity Mains	3.404	5.726
10. SPS and Reticulation Upgrade	1.363	2.682
11. Major SPS Replacement – Mech/Elec	3.678	1.575
12. KSTP – Biosolids Treatment Area	3.410	11.391
13. KSTP – Secondary Treatment Area	1.463	5.871
14. WWSTP – Biosolids Treatment Area	0.473	2.612
15. KSTP – General Works	2.671	2.021
16. SWC – Works Contract	0.227	1.842
17. KSTP – Preliminary Treatment Area	0.543	1.554
18. WWSTP – General Works	1.495	1.040
19. Hawkesbury Villages PSP – Stage 1	9.261	6.555
20. Gosford CBD Sewer DSP	1.658	2.642
21. Hawkesbury Villages PSP – Stage 2	0.353	2.159
22. Salaries Re Developers Dedicated Assets	0.560	1.304
23. Terrigal To Kincumber Augmentation	4.593	38.719
24. CBD Upgrade – Gosford	0.875	1.374
25. Kincumber STP – Gosford Council Costs	-	3.240
26. Woy Woy Drainage	-	3.275
27. Copacabana Urban Flood Mit. – Oceano To Segura CWP369	0.271	2.323
28. East Gosford Finley Ave U/S Lushington Street	1.143	2.272
29. Terrigal CBD Urban Flood Mit.Cwp 368	1.124	1.213
30. Riviera Catchment Trunk Drain	0.881	1.526
31. Narara Valley Drive Bridge Invest	-	1.257
32. Gosford CBD Trunk Drain Kibble Park	-	1.187
33. Garnet Rd/Diamond Rd. Pearl Beach Cwp381	-	1.042

Source: Gosford City Council, *Annual Progress Report 2011 – Compliance against operating expenditure, capital expenditure and output measures*, report submitted to IPART in October 2011.

Comments³²

3. Over expenditure due to increased scope of works required to deliver water quality improvements. Higher than expected costs from some aspects.
4. Project did not progress as early as anticipated. Other higher priority works have proceeded.
6. Works delayed as not required until the Mardi-Mangrove project is completed. Works scheduled for completion by June 2012.
7. Over expenditure due to requirement to fast track water quality improvements by implementing new dosing facilities, and providing pre-chlorination at the Somersby WTP facilities.
11. Under expenditure due to delays caused to physical works by the planning/investigations required.
- 12, 13, 14, 15, 17, 18. Under expenditure due to delays to physical works by additional planning/investigations being required and the delays caused by the establishment of an Engineering Procurement & Construction Management contract.
19. Over expenditure due to greater than first estimated costs for the scheme. Design issues and costs incurred due to a bridge crossing increased the overall costs of the scheme.
20. Over expenditure due to increased requirements (extra costs) of Energy Australia (AusGrid) for the electrical supply to the station.
23. Under expenditure due to delays to physical works by additional planning/investigations being required and the delays caused by the establishment of an Engineering Procurement & Construction Management contract.
24. Over expenditure in 2 of the upgrade lines due to encountering poor ground conditions.
26. Postponed - pending water sensitive urban design (WSUD) analysis.
31. Postponed - pending RTA strategy for Narara Valley Drive.
32. Complete.
33. Further design works required.

³² Comments provided by Gosford City Council, *Annual Progress Report 2011 – Compliance against operating expenditure, capital expenditure and output measures*, report submitted to IPART in October 2011.

E.4 Wyong Shire Council

**Table E.4 Wyong Council - Activity against capital expenditure program 2010/11
(\$m, 2010/11)**

Description	Actual cumulative 2008 to 2011	Allowed over determination period
1. Mardi to Warnervale Trunk Main	0.313	24.201
2. Porters Creek Drainage	0.046	10.902
3. Water main Refurbishment	1.652	5.04
4. Entrance/North Entrance Trunk Main	0.039	6.43
5. Reclaimed Effluent Plant upgrade (DAFF Plant at Toukley)	2.027	4.533
6. Trunk Main Gorokan to Norah head	0	3.811
7. Effluent Reuse (Toukley)	0.038	1.089
8. Kiar/Bushells Reservoir	0	2.756
9. Electrical Refurbishment	0	2.401
10. Main Adjustments (Roads/Drainage)	0.703	1.83
11. Fittings and Tapping Band Replacement	0.317	1.766
12. Water Quality 2010	0.439	1.41
13. Stormwater Harvesting	0.715	1.35
14. Porters Creek Stormwater Harvesting (100% Grant Funding)	0	1.589
15. Warnervale Employment Zone Water Mains	0.476	1.247
16. Repainting/Re-roofing	0.491	1.02
17. Wyong South – No 4 Aeration Tank/No 5 Aeration Tank	0.36	15.243
18. Charmhaven (20000 EP)	0.864	15.243
19. Unidentified Works (Wastewater)		13.184
20. Section 94 Works (Undertaken by Council)	1.601	7.827
21. Sewer Rehabilitation	2.26	3.965
22. General Mechanical/Electrical/Civil Refurbishment	0.95	3.519
23. Other (Wastewater)	0.359	1.21
24. Upgrade Toukley STP Inlet Works	2.495	2.458
25. Upgrade Mannering Park STP Inlet Works	2.075	2.662
26. Other (Wastewater)	0.437	1.42
27. Valves/Pumps/Switchboard	0.244	1.907
28. Other (Wastewater)	0.122	1.44
29. WS36 E&M (inc 50% refurbishment)	0	1.344
30. Refurbish Mech	0.336	1.159
31. Refurbish Elec	1.176	1.159
32. Unallocated Projects (Stormwater)	20.975	18.655

Description	Actual cumulative 2008 to 2011	Allowed over determination period
33. Warnervale Water Quality A1 AND B6	0	2.895
34. Lake Rd (East)	0	2.655
35. Various S94 Projects	1.422	2.19
36. Category 1 & Category 2 Projects	1.418	1.418
Total	44.35	172.928

Note: All figures inflated by year-on-year CPI June to June.

Source: Wyong Shire Council, *Wyong Shire Council – Activity against output measures and capital expenditure program 2010/11*, report submitted to IPART in November 2011.

Comments³³

As a general comment, growth in the “greenfield” development area in the north of the Shire has been slower than originally forecast. This can be attributed to the economic climate over recent years. As a result, works required to service these areas and extend the trunk system in the north has been able to be deferred.

1. Deferred due to slower growth than forecast. Completion now planned for 2016.
2. This project has been deferred due to delays in development.
4. Link across The Entrance bridge scheduled for 2014.
5. Complete.
6. Deferred until 2016 due to delays in development.
7. Further investigations have indicated this project is not viable.
8. Deferred until 2016 due to delays in development.
9. Priorities are currently being reviewed.
10. On track.
11. On track.
12. Complete.
13. On track.
14. Deferred due to delays in development.
15. Deferred due to delays in development.
16. On track.
17. Design progressing but construction deferred due to slower rate of development.
18. This project has been deferred for completion in 2015 due to delays in development.

³³ Comments provided by Wyong Shire Council, *Wyong Shire Council – Activity against output measures and capital expenditure program 2010/11*, report submitted to IPART in November 2011.

19. To date \$5.5m has been earmarked for 2012/13 comprising Warnervale Town Centre (\$3m), Pump Station Programme (\$2m for PS WS8, B5 and B6) and South Tacoma Sewerage (\$0.5m).
20. Under expenditures due to delays in development.
21. On track.
22. On track.
23. On track.
24. Completed.
25. Completed.
26. On track.
27. On track.
28. On track.
29. Deferred until 2017 due to delays in development.
30. On track.
31. On track.
33. Subject to further review.
34. Subject to further review.
35. Under expenditure due to delays in development.

E.5 Gosford City Council and Wyong Shire Council Joint Water Supply Authority

Table E.5 Gosford City Council and Wyong Shire Council JWS - Activity against capital expenditure program 2010/11 (\$m, 2010/11)

Description	Actual cumulative 2008 to 2011 ^a	Allowed over determination period
1. Mardi to Mangrove Transfer System	50.101	54.247
2. JWS Lower Mooney Dam Remedial/Removal Works	0.050	1.319
3. Mardi Transfer System	14.666	16.652
4. Mardi Dam Pre-treatment Facilities Associated with Mangrove to Mardi Transfer System	0.141	10.680
5. Mardi High Lift	7.469	9.491
6. JWA Minor Capital Works	b	6.199
7. Mardi Power Supply Upgrade	2.109	2.451
8. General Mardi Infrastructure Refurbishment	b	2.257
9. Porters Creek Stormwater Harvesting JWS (Warnervale)	0.094	2.256
10. Mooney Mooney Dam Remedial	b	1.615
11. Balickera Pre Treatment Facility	0.078	1.125
Total	74.708	108.3

^a Due to inconsistencies between the figures provided by Gosford and Wyong Councils, the figures presented here are the higher of the 2.

^b These projects have been incorrectly included in the Table B.1 of the Final Determination. In accordance with email advice from IPART on 5 October 2011, these projects will not be reported on here.

Note: All figures inflated by year-on-year CPI June to June.

Source: Gosford City Council, *Annual Progress Report 2011 – Compliance against operating expenditure, capital expenditure and output measures*, report submitted to IPART in October 2011; and Wyong Shire Council, *Wyong Shire Council – Activity against output measures and capital expenditure program 2010/11*, report submitted to IPART in November 2011.

Comments³⁴

1. The system is now in the final stages of commissioning.
2. Under expenditure due to delays in the provision of advice from the Dam Safety Committee and National Parks.
3. Complete.
4. In early stages of investigations with other lower cost options being investigated.
5. Complete.
7. Project completed under budget.
9. This project is still only in the feasibility stage.
10. Same as for 2. above.
11. All identified works have now been completed. Costs of this project have been paid by Wyong Shire Council and will be passed onto Gosford City Council.

These projects have been incorrectly included in the Table B.1 of the Final Determination. In accordance with email advice from IPART on 5 October 2011 these projects will not be reported on here.

³⁴ Comments provided by Gosford City Council and Wyong City Council in: Gosford City Council, *Annual Progress Report 2011 – Compliance against operating expenditure, capital expenditure and output measures*, report submitted to IPART in October 2011; and Wyong Shire Council, *Wyong Shire Council – Activity against output measures and capital expenditure program 2010/11*, report submitted to IPART in November 2011.

