

DRAFT REPORT: REVIEW OF WATER, SEWERAGE AND STORMWATER PRICES FOR GOSFORD CITY AND WYONG SHIRE COUNCILS

Embargoed until 10am Tuesday 19 February

The Independent Pricing and Regulatory Tribunal (IPART) today released its draft report on the prices that Gosford City and Wyong Shire Councils can charge for water, sewerage and stormwater drainage services from 1 July 2013 to 30 June 2017.

Under the draft determinations, typical annual residential water and sewerage bills in Gosford City Council's area will rise by an average of 5.3% or \$72 in 2013/14 and increase by 23.1%, or \$244, over the 4 years to 2017. This increase includes inflation which accounts for \$129 of the total increase. The cost of stormwater drainage will increase by 53% to \$126 including inflation over the same four-year period.

Typical households in Wyong Council's area will see their water and sewerage bills rise by \$19 over the next 4 years. This increase is less than the rate of inflation. Stormwater drainage bills will increase by 34% to \$120 over the same period.

Water and sewerage bills for small businesses operating in Gosford City will increase in line with residential charges, by 23.1%. The bills for small businesses in Wyong Shire will increase by less than the rate of inflation.

IPART Chairman, Dr Peter Boxall, said the proposed increases are significantly lower than those requested by both councils, reflecting IPART's analysis of the costs to be met in providing water, sewerage and stormwater services in the most efficient way.

"The increases IPART proposes in the draft determination will allow the councils to provide quality services and meet regulatory standards, and reduce price shocks to customers by phasing them in over 4 years," Dr Boxall said.

"Based on our assessment of the opportunities for further efficiencies by the Councils, we have allowed for lower capital expenditure and operating costs than those requested. We have also calculated the rate of return on existing assets based on current market conditions."

Dr Boxall said the different outcomes for Gosford City and Wyong Shire reflect the varying costs faced by the 2 councils in providing water and sewerage.

"Over the past 4 years, Gosford City has been required to invest significantly in sewerage infrastructure, increasing the costs of maintaining this sewerage network. At the same time, the cost of sludge disposal in Gosford City has increased significantly and will require more expenditure over the next 4 years.

"These pressures do not exist in Wyong Shire where growth rates have not been as high as previously forecast, reducing the need for capital expenditure."

IPART has investigated the causes of the cost increases in Gosford City in detail and is satisfied that the investments made are prudent and efficient.

Dr Boxall said the draft determinations also introduce new price structures to make the price paid by each customer fairer, ensuring that the fixed charges reflect the costs of providing water and sewerage services while the usage charge continues to reflect consumption.

“These pricing reforms will benefit certain customers who have been cross-subsidising others, whilst those who have not paid enough in the past will need to pay more in the future,” Dr Boxall said.

As a result of these changes, a fixed water service charge will be introduced for all residential customers regardless of the type of dwelling. This will affect a small number of Wyong Council’s residential customers with a shared water meter (such as buildings with a single owner), who will have higher than average increases. Service charges for some non-residential customers in Gosford City will also be higher, though this will be partially offset by reductions in the sewerage usage charge and the introduction of a free discharge allowance.

For both Councils the prices paid by small businesses with 20mm diameter meters have been pegged to residential customers’ prices as these customers impose the same costs on the Councils. The current structure of stormwater drainage prices has been maintained in both Councils’ areas.

IPART has not allowed the costs of establishing the Central Coast Water Corporation to be recovered through the prices of Gosford and Wyong Councils. These costs should be recovered from the customers of the Central Coast Water Corporation once it has been established.

IPART is seeking stakeholder feedback on the proposed prices by 15 March 2013. The final determination will be released in May 2013.

The report, *Gosford City Council and Wyong Shire Council - Prices for water, sewerage and stormwater drainage services from 1 July 2013 to 30 June 2017*, is available on IPART’s website <<http://www.ipart.nsw.gov.au>>.

Summary of the impacts of the draft determinations on different user groups, including graphs and tables, are available at http://www.ipart.nsw.gov.au/Home/Industries/Water/Reviews/Metro_Pricing/Review_of_prices_for_Gosford_City_Council_and_Wyong_Shire_Council_from_1_July_2013.

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Table 1 Summary of impacts of the draft determinatons

	Real	Nominal (includes inflation)
Gosford residential (typical user individual meter using 200kL)	Up 10.9% or \$115 over 4 years	Up 23.1% or \$244 over 4 years
Wyong residential (typical user individual meter using 200kL)	Down 8.3% or \$88 over 4 years.	Up 1.8% or \$19 over 4 years
Gosford non-residential with individual meter	Depends on connection size and water usage. Based on sample customers modelled - up by between 10.9% and 23.1%	Depends on connection size and water usage. Based on sample customers modelled - up by between 23.1% and 37%
Gosford non-residential with common meter	–	Lower increases (or even decreases) due to changes in price structure.
Wyong non-residential with individual meter	Depends on connection size and water usage. Based on sample customers modelled - down by between 1.7% and 8.8%	Depends on connection size and water usage. Based on sample customers modelled - up by between 2% and 9%
Wyong non-residential with common meter	–	Depends on connection size, water usage and number of strata connections but generally decrease due to changes in price structure.