

11 October 2018

Dr Peter Boxall
Chair
IPART
PO Box K35
Haymarket Post Shop NSW 1240

Dear Dr Boxall,

Review of Central Coast Council's prices for water, sewerage and related services

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to comment on the Review of Central Coast Council's prices for water, sewerage and related services.

Pensioner rebates and exempt properties

7. Should the notional revenue requirement for water and sewerage prices include the costs of providing pensioner rebates and not charging exempt properties that are not funded by the NSW Government

PIAC supports the Central Coast Council's suggestion that the NSW Government conduct a review into pensioner rebates, including how they are paid for, as well as how they are applied.

PIAC is concerned that state owned corporations have pensioner rebates and exempt properties paid for by NSW Treasury whereas council water utilities only receive 50 per cent of the pensioner rebate from NSW Treasury and receive no funding for exempt properties. Considering bills are not means tested, and the Council has a small customer base, it is an inequitable situation where other low income households who are not eligible for the rebate are subsidising those who are.

In addition, PIAC supports proportionate rebates which are implemented in conjunction with household water efficiency programs. This way, the cost of rebates will reduce as people are assisted to reduce their usage in sensible and sustainable ways.

Prices for water and sewerage services

8. Should water and/or sewerage prices be aligned across the Council's area? Why or why not?

9. Should stormwater drainage prices be aligned across the Council's area? Why or why not?

Council's pricing submission:

3. Are the Council's proposed water service prices reasonable?

4. Are the Council's proposed sewerage service prices reasonable?

PIAC notes the high percentage of the community who support consistent pricing across water, sewerage and stormwater charges and is pleased that the Council is prioritising this action as part of this price review. PIAC also notes that "Council is of the firm belief that harmonising prices will assist in an improvement in service levels and greater water security for all".

PIAC is pleased to see that, according to the Council's analysis, most residential customers will pay less for combined water, sewerage and stormwater charges than they currently do (unless the consumer uses more water than usual).

These claims will obviously need to be examined by IPART and its consultants, but if they hold true then this provides strong reasons to work towards harmonising pricing.

PIAC is also pleased that the Council is moving towards a greater proportion of the bill being based on usage charges than fixed charges. This is an important way for consumers to control the size of their bill as well as sending a signal regarding the value of water which is important at all times but particularly so in times of constraint.

However, moving towards a greater component of the bill being based on usage does have potential problems. For example, the bills of renters might increase since they only pay usage charges. Therefore, these sorts of changes need to be implemented at the same time as water saving programs to help consumers reduce their water use in healthy and sustainable ways. "Water wise" messaging and programs should be permanent initiatives rather than temporary constraint related initiatives. A particular focus of these programs should be to help large families on low incomes, who often have the least capacity to reduce their usage but are impacted the most by increased bills.

10. Should all of the Council's water and sewerage service prices be set on a 20mm meter basis?

The Council's position on this issue is reasonable. Consistency with Sydney Water and Hunter Water is desirable where circumstances do not differ greatly. See comments below regarding the balance between usage and service costs which can go some way to address the potential equity issue regarding flat rate pricing between stand alone houses and apartments.

11. Should residential service prices be lower for apartments than for houses? Why or why not?

In theory, prices should differ between houses and apartments to address the equity issue of apartment occupants imposing less cost on the water and sewerage system than the occupants of houses.

However, PIAC appreciates the issues raised by the Council on this matter. These include:

- That there is some merging of definitions between different dwelling types where house blocks are becoming smaller whereas apartments and townhouses are becoming larger/have larger gardens.

- That there may be significant difficulty in defining which properties should get lower prices.
- The Council's pricing proposal includes having a higher portion of the bill be based on water usage, which would go some way to address the equity issue.
- That the Council's priority is to have a common price across customers and that pricing be simple.

PIAC agrees that these issues are all valid. In particular if there is a substantial change where a greater portion of the bill is based on usage with a lower fixed charge component, then this should go some way to ameliorate the inequality of usage between houses and apartments. However, if there is no or only minor switch between the portion of fixed to usage charges then PIAC recommends that the Council review this issue for their next pricing review, including asking their customers during deliberative forums to consider whether they think that there should be different prices for people in houses and people in apartments. Given that the pricing proposal does include different pricing for houses and apartments for storm water pricing, then the proposed definitions used for that could be applied here.

12. Should retirement villages continue to be charged service prices on the basis of their meters?

PIAC notes that pricing differentials, especially in relation to retirement villages, is listed as third on the list of customer issues in 2013, so this issue is a high priority for the community.

PIAC also notes that the Council's proposed approach to this issue is that retirement villages be charged based on their meter size which does not address the pricing differential issue but will generally lead to occupants in retirement villages having significantly lower prices than dwellings outside of retirement villages. Whilst this is good for the residents of retirement villages, especially since there are no provisions to provide rebates to otherwise eligible residents of retirement villages, PIAC urges IPART to consider what cross subsidisation issues this proposal creates.

13. What is the appropriate deemed sewerage discharge volume to include in sewerage service prices? Should the deemed discharge volume be different for houses and apartments?

14. Rather than including a discharge allowance in service prices, should sewerage usage be billed separately for all customers? Why or why not?

PIAC is concerned that IPART has found that "(r)esidential customers, on average, are cross-subsidising non-residential customers" for sewerage charges.

PIAC notes IPART's finding that on average a 150kL deemed discharge is likely to be too high for houses and especially so for apartments.

PIAC agrees that imposing a discharge factor of 75%, as has been applied in Sydney Water and Hunter Water is a much more realistic way to charge sewer charges. However, this still does not address the issue of apartments using 30-50% less water than houses, as well as issues raised by Council regarding how it is hard to define houses and apartments (as outlined above).

PIAC is supportive of residential customers paying for their sewerage usage in proportion to their actual metered water consumption. Although not a perfect system, this would generally enable customers to have more control over their bill size, result in reduced cross subsidisation

between users and also go some way to address equity issues between different housing types without having to try to classify the housing types.

However, PIAC recommends that the community be consulted on this issue and that it be given further examination. For example, there should be investigation into whether apartments have a higher percentage of their water usage go to the sewer because they have smaller gardens and how to justly include homes which use rainwater tanks (including how many of these homes there are).

15. On what basis should we set sewerage usage prices?

Council's pricing submission:

5. Is the Council's proposed sewerage usage price (or prices) reasonable?

PIAC supports basing sewerage usage prices on the long run marginal cost. However, given the varying costs of the multiple sewerage catchment areas and the community's preference for consistent pricing, PIAC accepts that basing the pricing on short run marginal cost is preferable. As outlined above, PIAC supports charging residential customers based on a standardised 20 mm water meter and applying a discharge factor on actual water consumption.

16. On what basis should we set water usage prices?

Council's pricing submission:

6. Is the Council's proposed water usage price (or prices) reasonable?

PIAC supports basing water usage prices on the long run marginal cost. PIAC supports having a larger portion of residential water bills based on usage. However, as outlined above, this should be implemented along with water saving initiatives.

Prices for stormwater services

18. Should the Council's stormwater prices be based on the area of a customer's property?

Why or why not?

Council's pricing submission:

7. Are the Council's proposed stormwater drainage prices reasonable?

PIAC supports IPART's and the Council's approach to have two standard prices for residential properties – one for houses and a lower one for apartments – whilst non-residential properties are charged based on their land size. PIAC notes that the proposed prices for residential consumers are expected to reduce.

19. Should there be a low impact customer category for stormwater drainage prices? If so:

- Should a low impact customer price be available to both residential and non- residential customers?

- What should the low impact price be compared to other stormwater prices?

All consumers should be encouraged to use available space on their land to reduce run off and hence the impact on the stormwater system. PIAC supports that consumers who have low impact properties should be rewarded for their efforts through a lower stormwater price. The Council should promote the existence of the price reduction available as well as how residents can make their properties eligible. PIAC supports the adoption of a process similar to Sydney Water's.

Account Assistance for Financial Hardship

It is difficult to comment on the effectiveness or otherwise of the Account Assistance for Financial Hardship, given that no statistics have been provided on need identified, numbers of households in the program and numbers who successfully exit the program.

Customer complaints

PIAC is pleased that the implementation of a new customer experience system enables the Council to better record and triage complaints.

PIAC queries why the Council is not a member of the Energy and Water Ombudsman NSW who are specialists in handling energy and water provider issues.

Customer engagement

Consumer engagement is a core responsibility of monopoly essential service providers like Central Coast Council. Unlike firms in competitive markets, they need to implement formal consumer engagement programs to ensure they provide market services that meet the requirements and preferences of their customers.

In its submission, the Council states that it used the International Association of Public Participation Standard (IAP2) in developing its Engagement Framework. PIAC supports the use of a robust and internationally recognised framework such as the IAP2 standard. In particular, the Council's identification of the following principles for engagement is positive:

- Respect and transparency;
- Access and inclusion;
- Clarity;
- Accountability and improvement; and
- Capacity.

PIAC supports the use of these principles in designing a consumer engagement program.

However, PIAC considers that these principles could have been better applied. In its submission, the Council identifies three approaches to engagement used to support its pricing plan:

- A single survey;
- Ten community pop ups; and
- Four workshops.

PIAC commends the use of surveys and community pop-ups. However, we consider consumer workshops, ideally deliberative forums, to be the most important method of consumer engagement. While surveys and pop-ups facilitate feedback on simple issues, water pricing proposals involve complex issues and trade-offs that can only be adequately explored through ongoing education and discussions between service providers and consumers.

It appears from the Council's submission that they treated the survey as a means of identifying issues for further discussion in workshops. PIAC supports this approach. However, it is not clear to PIAC how effective these workshops were. In the submission, it is unclear whether their workshops involved the same 38 participants on four separate occasions, or different groups of participants at each of the four workshops with the total number being 38.

PIAC considers the former to be good engagement practice. Engaging with the same group of consumers over a number of sessions allows a group to become familiar with complex issues. This facilitates high quality feedback from participants. The latter is less desirable. While consumers can provide some feedback in a single session, it is much more difficult to elicit informed responses on the full range of issues relevant to a water pricing proposal in such a short period. If this was the approach taken, PIAC contends that IPART should be less confident in Council's characterisation of customer and community view.

Further engagement

PIAC would welcome the opportunity for further engagement with IPART and other stakeholders to discuss these issues in more depth. Please do not hesitate to contact Thea Bray on 8898 6520 or tbray@piac.asn.au.

Yours sincerely,

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