

## **IPART Central Coast Public Hearing**

**Review of prices for Water, Sewerage and Stormwater Services  
for Gosford City Council and Wyong Shire Council**

**12 November 2012**

**Wyong Shire Council  
Proposed Prices 2013/14 – 2016/17**

# Key Considerations for IPART Review

1. The Price Structure
2. The Price Proposal
3. Customer Impacts
4. Operational and Capital Expenditure Issues
5. Water sales revenue risks
6. Central Coast Water Corporation
7. Other Issues

# The Price Structure

- Council's price proposal based on retention of current price structures
- Council recognises the IPART March 2012 Report "Review of Price Structures for Metropolitan Utilities"
  - Foreshadows that relativity between fixed and variable charges for certain customer groups may change
  - The March 2012 report will be a consideration for this price review
- Council's approach based on;
  - Limited resourcing available within Council
  - Complexity of process to amend price structures
  - IPART better placed to address any price structure changes across metropolitan agencies.

# The Price Proposal

	2013/14 <sup>(a)</sup>	2014/15 <sup>(a)</sup>	2015/16 <sup>(a)</sup>	2016/17 <sup>(a)</sup>
<b>Water Service Charge</b>	CPI + 4.6%	CPI + 11.4%	CPI + 10.5%	CPI + 10.4%
<b>Water Usage Charge</b>	CPI + 10.9%	CPI + 6.4%	CPI + 4.0%	CPI + 3.8%
<b>Sewerage Service Charge</b>	CPI + 11.3%	CPI + 11.8%	CPI + 13.7%	CPI + 13.5%
<b>Sewerage Usage Charge</b>	CPI	CPI	CPI	CPI
<b>Drainage Service Charge</b>	CPI + 10.5%	CPI + 10.5%	CPI + 10.5%	CPI + 10.5%
<b>Liquid Trade Waste Charges <sup>(b)</sup></b>	CPI	CPI	CPI	CPI
<b>Miscellaneous Charges <sup>(b)</sup></b>	CPI	CPI	CPI	CPI

(a) Proposed % price changed from previous year's price

(b) With two exceptions

# Customer Impacts – Proposed Residential Charges

## Bill in 12/13 \$ for Residential Property Using 160 KI Per Annum \*

Charge	2012/13 Current	2013/14 Proposed	2014/15 Proposed	2015/16 Proposed	2016/17 Proposed
Water Usage	339.20	376.00	400.00	416.00	432.00
Water Service (a)	167.35	175.05	195.00	215.50	238.00
Sewerage Service	463.44	515.81	577.00	656.50	745.00
Drainage Service	89.77	99.20	109.61	121.12	133.84
<b>Total Bill</b>	1059.76	1166.06	1281.61	1409.12	1548.84
<b>Real Charge in total bill from previous year</b>		10.0%	9.9%	9.9%	9.9%

\* Estimated 2012/13 average residential usage

## Bill in 12/13 \$ for Residential Property Using 220 KI Per Annum \*\*

Charge	2012/13 Current	2013/14 Proposed	2014/15 Proposed	2015/16 Proposed	2016/17 Proposed
Water Usage	466.40	517.00	550.00	572.00	594.00
Water Service (a)	167.35	175.05	195.00	215.50	238.00
Sewerage Service	463.44	515.81	577.00	656.50	745.00
Drainage Service	89.77	99.20	109.61	121.12	133.84
<b>Total Bill</b>	1186.96	1307.06	1431.61	1565.12	1710.84
<b>Real Charge in total bill from previous year</b>		10.1%	9.5%	9.3%	9.3%

a) does not include contribution to NSW Government "Central Coast Water Savings Fund"

\*\* Typical higher use customer

# Operational Expenditure Issues

Forecast operational expenditure key drivers:

- Growth in Wyong Shire
- Salary and Wage increases driven by market pressures
- Maintenance of ageing assets
- Changing legislative and community standards
- Cost impacts of new capital expenditure coming on line
- Corporate support costs
- Real increases in electricity costs
- Impacts of Carbon Pricing
- Establishment of Central Coast Water Corporation

# Capital Expenditure Issues

## Forecast capital expenditure key drivers:

- Provision of timely growth related infrastructure
  - Mandated by Development Servicing Plans
  - Combination of greenfield and infill development types
- Renewal of ageing asset base
  - Replacement of deteriorated water and sewerage pipelines
  - Refurbishment of pump stations particularly mechanical and electrical components
- Changing Legislation, Standards and Codes of Practice
  - Sewage Pump Station upgrades have to comply with environmental legislation
  - Programme to reduce number of properties exposed to stormwater flooding
- Water Security
  - Modify Mangrove Creek Dam infrastructure to reflect contemporary flood criteria
  - Improve water quality at Mardi Dam

# Water Sales Revenue Risks

## Historic

- From 2003/4 to 2011/12 actual water sales by Council were 10% below IPaRT estimates for price setting purposes.
- Sales were impacted by drought and water restrictions
- Reduced revenue stream to Council over 9 years (\$16M expressed in 2012/13 \$)
- Impacted Council's financial position

## Projected

- Projected water sales over 2013/14 to 2016/17 still depressed compared to unrestricted
- Modest recovery in projected sales predicted in price submission
- Ongoing financial risks if projected sales not achieved



# Central Coast Water Corporation

- 08/2010 Memorandum of Understanding (MoU)  
*Councils agree to establish CCWC subject to amendments to Act & IR framework*
- 11/2010 Central Coast Water Corporation Amendment Act
- 07/2011 Central Coast Water Corporation commenced
- 12/2011 Board of Directors appointed
- 05/2012 Cost Benefit Analysis & business model resolved by Councils
- 06/2012 Councils adopt Implementation Work Plan

***A catalyst for change on the Central Coast***

# CCWC operating model

- Staged transfer of water and sewerage functions from 1 July 2014 to 1 July 2017
- Stormwater drainage function remains with each Council
- Corporate services (IT, HR, Finance, Plant & Fleet) provided by a Joint Services Business (JSB) from 1 July 2017
- Councils retain asset ownership and lease assets to CCWC

***‘Create a fully licensed water & sewerage entity by 1 July 2017’***

# Other Issues

- **Stormwater Drainage**

- Retention of current charge structure determined by IPART in 2009
- Deferral of area based charge for non residential properties
  - IPART has approved deferral to post CCWC period
  - No income implications as revenue neutral
- Post CCWC stormwater drainage function will remain with Council
  - More closely aligned to Roads function
  - Council to remain Water Supply Authority for stormwater drainage purposes

- **Liquid Trade Waste Charges**

- Charge for acceptance of pre-treated trade waste from Category 2 (Compliant) discharges will achieve full cost recovery by 2015/16
- Typical Category 2 (Compliant) dischargers – restaurants, take-aways, service stations with grease arrestors
- To minimise customer price impacts Council has progressively phased in this charge since 2006/07

- **Miscellaneous Charges**

- New charge to recover Council costs to investigate Complying Development proposals at pre DA stage
- Above CPI increase recommended for existing “Property Sewerage Diagram” charge (significant under recovery of current costs)
- Deletion of 2 existing charges (due to non-usage)

**THANK YOU**

