

IPART's Issues Paper

In preparing its submission, Council has considered the matters raised by IPART in its Issues Paper. Table 1 presents the section of the report that provides the information and explanations sought from Council.

Table 1: Response to issues specifically sought from Council

Issue	Addressed in
1 The uncertainties/risks in the Councils' operating environment over the upcoming regulatory period and beyond, including the nature of these uncertainties/risks and the likelihood of these impacting on specific costs (for example, electricity charges)	Section 3.5
2 How the Councils have ascertained the appropriate service levels to be provided over the regulatory period and how these service levels relate to forecast costs	Section 3.2
	Section 3.3
	Section 3.4
3 The Councils' capital expenditure over the 2006-09 regulatory period	Section 2.1.6
	Section 2.2.2
	Section 2.3.2
4 Drivers of the Councils' capital expenditure over the 2006-09 regulatory period, and service outcomes achieved by this expenditure	AIR and SIR
	Section 2.1.6
	Section 2.2.2
	Section 2.3.2
5 The Council's capital expenditure over the 2006-09 regulatory period compared to expenditure allowed by IPART when it set prices in 2006, and an explanation of variances	Section 2.1.6
	Section 2.2.2
	Section 2.3.2
6 The Councils' projected capital expenditure program over the upcoming regulatory period	Section 3.2
	Section 3.3
	Section 3.4
7 Drivers of the Councils' projected capital expenditure program over the upcoming regulatory period, and expected service outcomes to be achieved	AIR and SIR
	Section 3.2
	Section 3.3
	Section 3.4
8 The Councils' asset management practices and plans, and the relationship between the asset management framework and capital expenditure program	Section 2.5
9 Any changes proposed by the Councils for the calculation of depreciation including asset classes and asset lives for each asset class applied by the Councils and the methodology adopted in this calculation.	Section 4.4.1
10 The value and timing of contributions (including contributed assets) to the Councils from developers, government and/or other sources	AIR and SIR
11 Any changes to the expected revenue from developer charges due to the draft Developer Charges Determination	Section 3.5.3

12	The Councils' operating expenditure over the 2006-09 regulatory period compared to expenditure allowed by IPART when it set prices in 2006, and an explanation of variances	Section 2.1.7 Section 2.2.3 Section 2.3.3
13	Forecast operating expenditure including the potential for future efficiency gains	Section 3.2.3 Section 3.3.2 Section 3.4.2
14	Drivers behind any projected real increases in operating expenditures during the determination period	Section 3.2.3 Section 3.3.2 Section 3.4.2
15	Status and quantum of contribution to and reimbursements from the Water Savings Fund (to 2007/08) and the Climate Change Fund (from 2008/09) and implications for forecast water sales	Section 2.1.3
16	The costs and revenues of the Councils' recycled water schemes. Including avoided costs, proposed means of cost recovery, the timing/uptake of these schemes, and the drivers or 'mandates' behind these schemes	Section 2.4
17	Performance against the output measures agreed in the 2006 determination	Appendix B
18	Appropriate output measures for each Council for the upcoming determination period	Appendix B
19	Forecast water sales, by customer grouping, for the upcoming determination period.	Section 3.6
20	The methodology and assumptions used in developing these forecasts	Appendix C
21	The Councils' water supply/demand balance over the short to medium term, including the relative scarcity of water	
22	The basis on which the long run marginal costs of supply might be calculated and estimates of LRMC	
23	The introduction of a stormwater charge in the Wyong Council area	NA
24	The Councils' proposed prices (including level and structure) for water and sewerage services over the upcoming regulatory period, and the reasoning or justification behind these proposals, including supporting cost information	Section 5
25	Proposals for any changes to charges other services, including stormwater drainage services, trade waste services and other sewerage charges, and ancillary and miscellaneous customer services	Section 5
26	If the Councils are proposing changes to price structures, any perceived transitional issues that may arise	NA
27	The impact of the Council's proposed prices for its water, sewerage and other services on customer groups and on the Councils' financial performance and standing	Section 6
28	Any mitigation measures that the Councils have in place, or propose, to help customers adjust to price increases	Section 6.2

Table 2 presents the section of Council's submission that provides comment on the issues and questions IPART has provided for stakeholder comment.

Table 2: Response to issues for stakeholder comment

Issue	Addressed in
1 The prudence of the Councils' capital expenditure over the 2006-09 determination period	Section 2.1.6 Section 2.2.2 Section 2.3.2
2 The Councils' projected capital expenditure program	Section 3.2 Section 3.3 Section 3.4
3 An appropriate rate of return on capital to apply to the Councils' Regulatory Asset Bases	Section 4.1.3
4 Appropriate asset lives to apply for calculating the Councils' depreciation charge for the price determination	Section 4.1.1
5 The efficiency of the projected operating costs outlined in the Councils' submissions	Section 3.2.3 Section 3.3.2 Section 3.4.2
6 Whether there is scope for the Councils to achieve further efficiency gains over the next price determination period	Section 3.2.3 Section 3.3.2 Section 3.4.2
7 The most cost-effective way of supplying the water needs of the Central Coast over the medium- to long-term	
8 Appropriate arrangements for apportioning and sharing costs of Tillegra Dam between Hunter Water and the Councils	Section 3.5.4
9 The means by which the Councils should recover any costs of Tillegra Dam, including: <ul style="list-style-type: none"> <li data-bbox="197 1440 1198 1525">▪ Whether the Councils' costs of Tillegra Dam should be incorporated in upfront developer charges or periodic prices or a combination of both, and if so, the appropriate arrangements for apportioning the costs <li data-bbox="197 1547 1198 1632">▪ Whether the Councils' costs of Tillegra Dam should be recovered through the fixed component of the two-part tariff or a mix of fixed and usage components <li data-bbox="197 1655 1198 1682">▪ Whether the Councils' costs of Tillegra Dam should be reflected in the Councils' prices prior to the Dam becoming operational. 	Section 3.5.4
10 The Councils' recycled water schemes, including cost information, avoided costs, proposed means of cost recovery, the timing/uptake of these schemes, and the drivers or 'mandates' behind these schemes.	Section 2.4
11 The effectiveness of output measures as indicators of the prudence of capital and operating expenditure	
12 The Councils' progress or performance against the output measures	Appendix B
13 Appropriate output measures for each Council for the upcoming determination period	Appendix B

14	The length of the determination period that should apply for this determination	Section 3.1
15	The use of an initial increase (that is greater than increases in following years) and/or incremental increases over the determination period	Section 5.1
16	Other approaches to translate revenue requirements into prices	
17	The appropriate structure for the Councils' water and wastewater prices, including the possible introduction of scarcity pricing	Section 5
18	Appropriate levels and structures of charges for the Councils' stormwater drainage, trade waste, sewer access and environmental improvement services, and ancillary and miscellaneous services	Section 5