

Rick Banyard

Chairperson  
IPART  
PO Box Q290  
QVB Post Office  
Sydney

[ipart@ipart.nsw.gov.au](mailto:ipart@ipart.nsw.gov.au)

Submission 3 Re Recycled Water Pricing

Dear Sir

I was very interested in the issues paper however I am again very concerned that a large proportion of the report fails to address the key fundamental issues.

This is because it fails to recognise

1. That there is a major difference between **consumers** and **customers**.
2. That there is a major difference between **Property Owners** and **Occupiers**.
3. That there is a major difference between **Owner Occupiers** and **Tenants**.
4. That the user Pays principle is impossible under the traditional water pricing regime
5. That water meters are not present for all supplies of potable water and there is no indication of how and to whom recycled water will be metered.
6. There is no reference to who will benefit from Incentives and discounts for using recycled water. These are largely currently not available to the people they are intended for with potable water.
7. There is no definition of who is a Third Party Supplier.

May I raise these issues in more detail?

**That there is a major difference between consumers and customers**

The issues paper incorrectly uses the terms synonymously as it considers the water users to be both customers and consumers.

This is not correct.

A **consumer** is a person who uses the water. That is they consume it but rarely pay for it.

A **customer** is a person identified under the potable water authorities Customer Contract as the person responsible for receiving from and paying for the supply from the authority.

If one deducts the number of customers the potable water authorities have from the number of people (consumers) in the Sydney region only about **15% of the population are customers**. What will be the situation with Recycled Water?

On a per household basis customers only represent 40% of households.

There is no mention of how Owners, Occupiers or Tenants will be treated or how they will be charged for recycled water.

Given that it is the customer who pays for the potable water can you explain how your issues paper will handle the recycled water situation given that potable water distribution fails to consider the issue of water use and pricing for 85% of the population and 40% of the households?

***That the user Pays principle is impossible under the current potable water regime***

Fundamental to any pricing policy and any strategy of conserving water is to make all retail households financially responsible for water consumed. This must include recycled water. Users must be made responsible consumers by making them directly responsible for the total cost of their potable and recycled water.

To achieve this steps are simple.

1. Ensure that the recycled water legislation makes households and other occupiers qualify as customers of the Water Authorities. (Just like Power, gas etc)
2. Set a water pricing structure based 100% on quantity used.

3. Establish a pricing structure that provides a basic water supply at a realistic level scaling up in a series of steps to a top scale with charges appropriate for luxury use.
4. Regulate demand by adjusting the upper price levels.

A strategy as above would

1. Eliminate the need for water restrictions.
2. Allow all consumers to take advantage of concessions (currently most are excluded because they are not customers).
3. Reduce the costs to landlords thereby keeping rental prices low
4. Apply the user pays principle.
5. Provide extra funds to water authorities to build infrastructure capable of meeting the demand.
6. The system would be fair and reasonable. (no one would have any grounds to complain as the volume of water used would be the choice of the consumer).
7. There would be no need for the expensive water restriction policing.
8. End users will determine their own levels of consumption because they will have to determine their own cost benefit.

***That water meters are not present for all supplies.***

Due to gross inefficiencies, poor planning and a failure to adopt new technologies 1% of properties (from Sydney Water) do not have potable water meters. It is understood that as high as 15% of households do not have water meters.

Surely there can be nothing more fundamental to the distribution of recycled water than the issue of how to measure the consumption of consumers. Surely this is a major issue and must be included in the determination.

Water meters are an essential tool in limiting water consumption. The cost of water to a households was identified in the household survey as one of the key factors in reducing water consumption and waste. The same will apply to recycled water.

***The provision of Incentives and discounts are not mentioned in any detail...***

The government, corporations and private bodies provide a range of discounts, incentives and concessions to various groups with our community for the use of potable water.

What will be the position with Recycled water? There are no details provided.

Surely the effectiveness and assurance that the intended beneficiaries gain the benefits is fundamental to the issue of how to measure the consumption and price of that consumption to the end consumers. Surely this is a major issue and must be included in the issues paper.

### ***Third Party Suppliers.***

Currently residential tenants are billed for their potable water usage by landlords in accordance with the provisions of the Residential Tenancies Act.

This makes landlords "retailers" and water Authorities "wholesalers".

Under the current situation landlords carry the costs of billing, collection, bad debts etc and are excluded from any of the credit collection procedures of the potable water authorities.

For this the landlord gets no payment and has to bear considerable costs.

The issues paper and determination clearly needs to address

- How residential and commercial tenants pay for their water.
- The price landlords or other third parties can charge their tenants or end consumers.
- Discounts or commissions payable by water authorities to third parties eg commercial landlords
- The cost incurred by third parties (eg commercial landlords.) and if they may be passed on to end users.

The Tribunal should note that hotel rooms charge users for phone calls. They may wish to consider the implication of charging for water consumption.

## ***Conclusion And Recommendation***

### ***1. Issues Paper, Submissions and Definitions.***

The issues paper as distributed is very scant and it clearly fails to understand significant aspects and the reality of the situation related to payment of consumption.

The issues paper because it failed to identify key issues will also fail to stimulate debate about the issues.

Surely the issues paper is intended to raise the issues.

As an absolute minimum the document must have a glossary of terms.

I recommend that the Issues Paper is retracted and a revised issues paper be issued with a document that raises the real issues.

All parties should be invited to reconsider their submissions based on the definition of terms.

If IPART is not prepared to do this then a supplementary issues paper needs to be issued.

Obviously the timetable will need adjusting.

## ***2. End Users and Meters.***

The end user for water is in most cases the consumer or the consumer's household or business. It is not the landlord or some other intermediary.

It is the consumer who should be considered by the water Authorities and IPART to be the entity responsible for contracting that supply.

The customer contract for recycled water must be similar to all other supplies of services including gas, electricity, phone, sms, internet etc.

The Customer Contract for the supply of and charging for recycled water must be between the supplier and the last practical end user.

The supplier to the end user may be a third party and therefore the pricing model must make provision to adequately reward third parties for their role and effort.

It goes without saying that if the water supplier wishes to charge for the water by volume then there must be a metering system that is accurate and appropriate and installed and maintained by the water vendor.

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