



Broken Hill City Council

... a safe, vibrant, prosperous and culturally rich City achieved through community leadership and sustainable management.

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April 9, 2010

Country Energy Price Review,
Independent Pricing and Regulatory Tribunal,
PO Box Q290,
QVB Post Office NSW 1230

Dear Sir,

Draft Determination - Pricing of Country Energy's (CE) Water and Sewerage Services to Apply from 1 July 2010

Thank you for the opportunity to comment on the subject draft determination.

Introduction

Provision of water and sewerage services are an essential service and hence should aim at basic cost recovery only.

Generally, Council would expect that only the efficient operating costs and future capital expenditure costs should be covered by customers.

The draft determination makes comparisons between large corporate water supply bodies but does not compare Country Water with other comparable local Council water supply authorities.

Council submits that based on its unique geographic and climatic conditions, the projected costs of CE and the community's ability to pay, it would appear that the NSW Government will be required to continue to provide an identified transparent subsidy for the Broken Hill water supply system as an essential service.

Social Implications:

(Community impact and engagement – principally equity, access, participation, and consultation)

Broken Hill's population demographics include a high proportion of low income earners (median weekly household income is almost half the national average) and disadvantaged groups. The burden of any significant cost increase on customers will be unsustainable. Increased costs to Council will likewise not be able to be sustained and/or distributed to ratepayers and will most likely result in a greater burden on other CE customers (including Council) as there will be pressure not to substantially increase costs to these low income and disadvantaged groups.

Of ongoing concern to Council is the fact that residential customers who receive a pensioner rebate from the NSW Government would face the same increases in dollar terms as non-pensioners.

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However, this increase would be higher in percentage terms because these customers' current annual bill is lower than non-pensioners' due to this rebate, and the rebate is provided as a fixed amount per year, rather than as a percentage of the total bill. Therefore while their annual bill will increase under the draft determination, the amount of the pensioner rebate will not.

Further, consideration should be given to reducing the standing charges, as pensioners and residents who are making efforts to save water will not see that reflected in their water bills.

Council therefore would support the draft report recommendation that the quantum and method of calculating pensioner rebates is reviewed for pensioners in and around Broken Hill and region. This should not however include further cost shifting to Council as is presently the case where with respect to Council rates and charges Council is required to fund 50% of the pensioner rebate. Council's view is that the full rebate cost must be met by the NSW or Commonwealth government.

Council submits that based on its unique geographic and climatic conditions, the projected costs of CW and the community's ability to pay, it would appear that the NSW Government will be required to continue to provide an identified transparent subsidy for the Broken Hill water supply system as an essential service. This matter does not appear to have been addressed in the draft determination report.

**Economic Implications:
(Financial)**

The draft report indicates that an average increase for water and sewerage bills of 7.7% a year (plus inflation) for non-pensioners and a 9.5% increase for pensioners.

Notwithstanding treated water charges are proposed to increase by an average of 13.87% over 3 years with a 15.9% increase per kilolitre in 2010/2011.

This represents an increase (Council costs for water charges would rise from \$460K (actual 08/09) to \$533K per annum.

Council is bound by a rate capping structure in NSW (2.6% rate peg for 2010/2011) and so would not be able to pass these costs on to the community. Further ongoing deficit funding is not sustainable for Council.

**Environmental Implications:
(Current and future impacts – aligns with Sections of Council's current adopted State of the Environment Report and Council's adopted Management Plan)**

Decreased water use will lead to residents again removing grassed nature strips and lawns; increasing the potential risk of environmental lead and increased blood lead levels.

A 3 year determination period seems appropriate however Council has submitted that IPART note that the joint Commonwealth/NSW Government Darling River Water Savings Project (DRWSP) is presently investigating a range of water security, quality (the Broken Hill water supply is recognised as one of the most saline in the region) and efficiency options for the Broken Hill water supply amongst other matters that relate to the Menindee Lakes system.

The DRWSP should be permitted to be completed and based on the DRWSP cost benefit analysis of the recommended outcomes and a further IPART review - CE should then submit further options to IPART for review.

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Thank you again for the opportunity to assist IPART with the Draft Determination by providing information and comments relevant to this and Council's earlier submission.

Council looks forward to a response to the key issues raised in its submission.

Yours faithfully,

A handwritten signature in dark ink, appearing to be 'FZ' followed by a stylized flourish.

FRANK ZAKNICH
GENERAL MANAGER