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8 April 2009

Mr James Cox
Chief Executive Officer & Full Time Member
Independent Pricing & Regulatory Tribunal
PO Box Q290
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SYDNEY NSW 1230

Dear Mr Cox

**REVIEW OF METROPOLITAN WATER PRICING PURCHASE OF BULK WATER
FROM SYDNEY CATCHMENT AUTHORITY (1 JULY 2009 TO 30 JUNE 2009)**

Attached is the submission of Wingecarribee Shire Council in response to the Draft Determination and Draft Report released on 20 March 2009.

I trust that the attached submission is self-explanatory. Should you require any additional details, please do not hesitate to contact me.

Yours faithfully

M Hyde
GENERAL MANAGER

Enclosure: WSC Submission

**DRAFT DETERMINATION ON REVIEW OF
PRICES FOR THE SYDNEY CATCHMENT AUTHORITY**

(From 1 July 2009 to 30 June 2012)

SUBMISSION OF WINGECARRIBEE SHIRE COUNCIL



TO THE INDEPENDENT PRICING AND REVIEW TRIBUNAL OF NSW

APRIL 2009



**DRAFT DETERMINATION ON REVIEW OF
PRICES FOR THE SYDNEY CATCHMENT AUTHORITY
(From 1 July 2009 to 30 June 2012)**

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**DRAFT DETERMINATION ON REVIEW OF PRICES FOR
THE SYDNEY CATCHMENT AUTHORITY
(From 1 July 2009 to 30 June 2012)**

1. INTRODUCTION

Wingecarribee Shire Council (Council) will be purchasing between 4,000 – 4,200 ML/annum of water from the Sydney Catchment Authority (SCA) during the period from 1 July 2009 to 30 June 2012 the Draft Determination proposes to increase the price from \$210.10/ML in 2008/09 to \$239.87/ML plus CPI in 2011/12.

Council believes that the current and proposed pricing structure for bulk water supply by the SCA to Council is too high in consideration of the reasons and factors presented in this submission.

2. REASONS & JUSTIFICATION FOR PRICE REDUCTION

In its previous submission in October 2008, Council outlined a number of factors that should be considered in the pricing determination. Additional factors and further information on some of the previously submitted points are outlined below:-

2.1 User Pays Concept

Only a very small proportion of the total infrastructure owned and operated by the SCA contributes to supplying water to Council. The SCA's cost of supplying a megalitre of water to Council is only a small proportion of supplying a megalitre of water to Sydney Water.

Accordingly, in line with the generally accepted user pays principle, the water charge to Council should be in the same proportion. Further, it is Council's understanding that its demand can be more than met from water collected in the Wingecarribee Dam Catchment.

The fact that Wingecarribee Shire Councils price also has to be increased because Sydney Water's consumption would be reduced (due to the commissioning of the desalination plant), is not considered justifiable.

2.2 Impact of Other Factors & Financial Burden on Residents

In order to understand the financial burden that would be placed on Wingecarribee Shire residents, the impact of the proposed price increase needs to be looked at in the context of the current financial and market situations. The Council needs to substantially increase the treated water charges to its residents in the 2009/10 and the subsequent years for the following reasons:-

- Impact on water fund of the financial crisis - not only Council has lost interest income from investments, it has to borrow to fund urgent capital/renewal works and incur additional interest expenditure. Further the superannuation expense will increase significantly;
- Energy Australia is expected to increase the electricity price by a whopping 39% from 1 July 2009;

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- The toxic and total algae level of water supplied by SCA from the Wingecarribee Dam in recent years has been very high and Council has to operate the 'powder activated carbon' plant almost 10-11 months of the year at an additional cost of approximately \$200,000 per annum.

In order to meet the above additional expenditures, water charges to residents may need to be increased by approximately 7% in 2009/10. The impact of an additional increase owing to raw water price increase will be significant for the shire residents. Assuming an average consumption of 4,100 ML/annum, and excluding any CPI increases, the total additional cost for the three years would be \$122,000. This amount may not be significant for the SCA, but it will be for the shire residents.

2.3 High Sewerage Charge & Affordability

Council is well advanced with a relatively massive \$104 million program of upgrading and maintaining its sewerage infrastructure. Much of this commitment is to protect the Sydney Catchment.

The Wingecarribee Shire residents are currently paying approximately \$520 per annum as Sewerage Charges which is one of the highest for similar sized councils. In recognition of this commitment, a fair and equitable price for the supply of bulk water from the SCA is a reasonable expectation.

2.4 Sydney Catchment Authority Recommendations

Council notes that the Sydney Catchment Authority, in their submission, recommended that the price be capped at \$210.05 per mega litre.

Council is disappointed that IPART is proposing a higher price than Sydney Catchment Authority have recommended, despite detailed submissions from both Sydney Catchment Authority and Wingecarribee Shire Council.

3. CONCLUDING REMARKS

This submission provides additional information on some of the big factors that would impact on Wingecarribee Shire Council and its customers in relation to the Draft Pricing Determination for the SCA.

Council respectfully requests that IPART grants an appropriate reduction in the bulk water price or at the least cap the price at the present level for Council for the determination period.
