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Mr Colin Reid
Review of Metropolitan Water Agency Prices
Independent Pricing and regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230



Dear Mr Reid

The Local Government and Shires Associations of NSW are pleased to submit some brief comments to the Independent Pricing and Regulatory Tribunal (IPART) on the review of Metropolitan Water Agency Prices.

While the IPART issues paper covers a broad range of elements, the Associations' comments focus on:

- Customer impacts
- Equity
- Stormwater
- Recycled water pricing principles and sewer mining
- Accessing financial assistance through the Demand Management Fund

It is understood that the two Council owned Water Utilities, Gosford and Wyong City Councils, have submitted detailed responses to the review that focus on their current state of business and how they are progressing with the implementation of the Department of Energy, Utilities and Sustainability Best Practice Management Guidelines for water and sewerage.

One of the major issues highlighted in these two submissions is the need to have pricing structures to enable the water utilities to be able to sustain a water supply for communities in times of drought.

Customer impacts

The impact of price increases on metropolitan councils is raised first as a concern as it is often overlooked. Within the document 'Investigation into price structure to reduce the demand for water in the Sydney Basin' the following is stated:

'The Tribunal had limited ability to assess the potential impact on non-residential customers. These customers use water for many different purposes- for example, to flush toilets in office buildings, to water market gardens, and in industrial processes. There is no data available to assess what portion of this use is discretionary, or analyse how the different price options will affect the affordability of water for these customers'

This lack of information is particularly relevant to councils' use of water to provide adequate facilities and services to the general public. A significant number of councils purchase water for the maintenance of public parks, reserves and swimming pools. This is non-discretionary use as communities, particularly the growing number of people living in multi-unit developments, require open space for passive and active recreation.

It is important that this research into non-residential customers is initiated, as councils' use of water for community benefit needs to be clearly differentiated to that used by business for profit.

Equity

One of the key concerns the Associations have shared with IPART is the potential impact of pricing decisions on some customer groups, in particular pensioners, low-income households and large households. Findings have indicated that these 'vulnerable' customers who have relatively low income per household member are less able to afford increases in their annual bills.

It is imperative that there is extensive financial modelling to accurately determine the likely impact of ways in which community service obligations can be extended to ensure these groups are not adversely impacted on.

Recycled water pricing principles and sewer mining

While the pricing structure of water for community and private business use needs examination, this is not to say that councils are not interested also in examining the use of recycled water.

At the recent Local Government Association Annual Conference, there was support for Sydney Water maximizing its utilisation of treated effluent wherever possible for the irrigation of appropriate public reserves and parklands. It was noted that sustainable wastewater management relies on the recognition that treated effluent is not wastewater to be disposed of, but rather a renewable resource available for use.

The use of recycled water by councils should be encouraged through the overall pricing structures for water use.

Stormwater

As outlined in the issues paper the ownership and responsibility for stormwater in the Sydney and Hunter regions is split between local government and the water agencies.

It is essential that local government is actively involved in the state government's review process of examining the most appropriate institutional arrangements for the management and the development of a charging structure for stormwater.


Accessing financial assistance through the Demand Management Fund

The recently announced Sydney Metropolitan Water Strategy has seen the formation of a \$30 million Demand Management Fund. The fund is to assist businesses, state government agencies and councils in the Sydney Water region. While not confirmed it is likely that very little of this funding will be made available to assist council capacity building efforts in the area of water conservation.

It is essential that this fund lend itself to building on the work councils have already initiated to assist with the development of water conservation plans.

We hope this information is of assistance to the review process. If you require any further information please do not hesitate to contact, Stephanie Smith, Water Policy Officer, on phone 9242 4070.

Yours sincerely


Bill Gillooly AM
Secretary General