

SYDNEY WATER CORPORATION

PRICES OF WATER SUPPLY, SEWERAGE AND DRAINAGE SERVICES

from 1 July 2000

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES**

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INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

**REPORT TO THE PREMIER ON THE DETERMINATION OF MAXIMUM PRICES UNDER
SECTION 11 (1) OF THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL ACT,
1992**

Reference No: 99/179

Report: No 6, 2000

Agency: Sydney Water Corporation Ltd

Declaration of government monopoly services under Section 4 of the Act:

The Government monopoly services were declared by the Independent Pricing and Regulatory Tribunal (Water, Sewerage and Drainage Services) Order 1997, made on 5 February 1997 and published in Gazette No. 18 dated 14 February 1997 at page 558.

1 INTRODUCTION

The Independent Pricing and Regulatory Tribunal of New South Wales (the Tribunal) determines the maximum prices that Sydney Water Corporation (SWC) can levy for its water, sewerage and drainage services.

In 1996 the Tribunal made a medium term determination¹ for SWC which ends on 30 June 2000. Consequently, the Tribunal must make a new determination for SWC for the period from 1 July 2000 onwards.

The Tribunal commenced the review of pricing in October 1999 with the aim of determining prices for up to a 5 year period. It also published an issues paper to assist interested parties in making a submission to the pricing review. The Tribunal asked SWC to forward its pricing proposals by 20 December 1999 and other interested parties to forward submissions on the SWC proposals by 4 February 2000. As part of the determination process, a public hearing was conducted on 3 March 2000 at the offices of the Tribunal.

In July 1999, the Government established the Sydney Catchment Authority (SCA). The SCA is responsible for supplying bulk water and for managing and protecting the catchments utilised for the harvesting and storage of bulk water. These functions were previously undertaken by SWC.² The Tribunal has responsibility for determining prices for SCA for five years from 1 October 2000.

Sydney Water now purchases bulk water from SCA. The prices the Tribunal determines for bulk water will establish one of the major costs for SWC. Given that the Tribunal's pricing responsibility for the SCA commences on 1 October, the Tribunal has decided that it can better determine prices for SWC customers for the medium term if it considers SCA pricing and SWC pricing at the same time.

The Tribunal has decided to make a short term determination for the period from 1 July 2000 and intends making a medium term determination for the period from 1 October 2000 onwards.

The Tribunal members who considered this determination are:

Dr Thomas Parry, Chairman

Mr James Cox, Full-time Member

Ms Cristina Cifuentes, Member

In addition to making its short term determination, the Tribunal has published an Issues Paper which raises a number of issues for the medium term report in which it is seeking further submissions. A copy of the Issues Paper is available on the Tribunal's website or by contacting the Tribunal.³ Such submissions should reach the Tribunal by 14 July 2000.

¹ Independent Pricing and Regulatory Tribunal, *Prices of Water Supply, Sewerage and Drainage Services*, June 1996.

² The establishment of the SCA resulted from recommendations of the Sydney Water Inquiry conducted by Mr Peter McClellan QC.

³ Please telephone Mr Clive Lackey on 9290 8478. The Tribunal's website address is www.ipart.nsw.gov.au

2 THE SHORT TERM DETERMINATION

For the duration of the short term determination, the Tribunal has decided to maintain those SWC charges that apply at 30 June 2000,⁴ ie there will be no change in charges from 1 July 2000.

The Tribunal recognises that there have been changes in the inputs and outputs of SWC since the last determination. For example, one major change has been the formation of the SCA.

Another change is the introduction of the Federal Government's A New Tax System (ANTS) package. This package involves the introduction of a Goods and Services Tax (GST) and the removal of Wholesale Sales Tax. SWC will have to pay GST on some of its inputs. However, the cost to SWC of some goods that it utilises may actually decrease because SWC will now not have to pay Sales Tax equivalents to the State Government. Further, SWC will be able to claim input credits.

The Tribunal has calculated the impact of the ANTS package tax on SWC charges that apply at 30 June 2000. Periodic water and sewerage charges are GST-free. The Tribunal also notes that cost savings arising from the abolition of costs such as sales tax equivalents would reduce prices by 1.2 per cent (for direct and short-term indirect impacts). At the same time, the Tribunal is aware that SWC has signalled significant price increases from 1 July 2000, in part to finance an expanded capital works program. In addition, the Tribunal notes the impact of the costs of the SCA on the costs of SWC, SWC's proposal to maintain water prices in real terms, and the movement in the CPI through the year to March 2000 of 1.9 per cent. On balance, the Tribunal believes that it is appropriate to maintain prices at their existing level in nominal terms until the medium term determination in October.

The Tribunal will address developer charges⁵, for the four agencies⁶ within its jurisdiction, after 1 July 2000. In October 1999, the Tribunal received a report⁷ from consultants commissioned by it to review developer charges issues. The Tribunal consulted industry members about the recommendations of the report. However, the Tribunal has decided to postpone the determination of developer charges for all four agencies to enable it to consider developer charges in the same context as developer charges in Sydney.

The determination attached to this report details the prices that will apply for the period from 1 July 2000. A summary of those charges follows:

- Periodic charges that apply at 30 June 2000 are to be maintained in nominal terms.
- Miscellaneous charges that apply at 30 June 2000 are to be maintained in nominal terms.

⁴ The Tribunal will address any implications from this decision in the medium term price path determination planned to apply from 1 October 2000.

⁵ Developer charges are up-front charges levied to recover some of the costs of the infra-structure used in connecting blocks of land (generally new blocks) to water and sewerage services.

⁶ The four agencies under the Tribunal's jurisdiction are Sydney Water Corporation, Hunter Water Corporation, Gosford City Council and Wyong Shire Council.

⁷ PricewaterhouseCoopers and Centre for International Economics, *Review of Developer Charges*, October 1999.

- Trade waste charges that apply at 30 June 2000 are to be maintained in nominal terms.
- The developer charges determination⁸ will continue to apply. The Tribunal will issue a new determination for developer charges after 1 July 2000.

In making the short term determination, the Tribunal had regard for the requirements of section 15 of the *Independent Pricing and Regulatory Tribunal Act, 1992*.

⁸ Independent Pricing and Regulatory Tribunal, *Prices of Developer Charges for Water, Sewerage and Drainage Services*, December 1995.



INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

**DETERMINATION UNDER SECTION 11 (1) OF THE INDEPENDENT PRICING AND
REGULATORY TRIBUNAL ACT, 1992**

- Reference No:** 99/179
- Determination:** No 6, 2000
- Agency:** Sydney Water Corporation Ltd
- Services:** The following services are declared to be government monopoly services:
- (a) water supply services,
 - (b) sewerage services,
 - (c) stormwater drainage services,
 - (d) trade waste services,
 - (e) services supplied in connection with the provision or upgrading of water supply and sewerage facilities for new developments and, if required, drainage facilities for such developments,
 - (f) ancillary and miscellaneous customer services for which no alternative supply exists and which relate to the supply of services of a kind referred to in (a) to (e),
 - (g) other water supply, sewerage and drainage services for which no alternative supply exists.

The Government monopoly services were declared by the Independent Pricing and Regulatory Tribunal (Water, Sewerage and Drainage Services) Order 1997, made on 5 February 1997 and published in Gazette No. 18 dated 14 February 1997 at page 558.

The maximum prices listed or calculated under this determination apply from 1 July 2000.

1. Quarterly Service and Availability Charges (See Note 1)

		\$
Water	Standard Charge	20.00
	Unmetered Residential	76.00
	Vacant Land (unconnected)	20.00
Sewerage	Standard Charge	72.60
	Vacant Land (unconnected)	43.00
Stormwater	Residential and Vacant Land	4.00
	Non-Residential	14.20

2. Property Value-Based Charges (See Note 2)

		Cents in AAV* Dollar
Sewerage	Non-Residential	
	(on AAV > \$2,500)	0.335
Stormwater	Non-Residential	
	(on AAV > \$2,500)	0.313

*AAV is the annual assessed value of the property.

Note 1 The standard charges for water and sewerage are for properties with 1x20mm meter. Non-residential properties pay water and/or sewerage charges which reflect the size(s) of meter(s) fitted to the property – see section dealing with quarterly meter size water service charges and quarterly sewerage service charges. For flats and home units which share common metering arrangements and are not individually metered, water service and availability charges will reflect the size(s) of water meter(s) serving the complex. The meter size charges will be as for non-residential base charges.

Note 2 State Government owned and occupied premises (and properties owned and occupied by the Australian Broadcasting Corporation), are liable for payment of service or availability charges, but are not subject to property value-based charges. These properties are liable for all other charges applicable to non-residential properties, including the appropriate meter size charges for water and sewerage.

3. Usage Charges

		Cents per kilolitre
Water	Filtered Water	90
	Unfiltered Water	71
	Water for Shipping	115
	Bulk Raw Water	44
Sewerage	Non-residential discharges of above 1.37 kL/day	96

4. Quarterly Meter Size Water Service Charges

Meter Size	\$
20mm	20.00
25mm	31.25
30 or 32mm	51.20
40mm	80.00
50mm	125.00
80mm	320.00
100mm	500.00
150mm	1,125.00
200mm	2,000.00
250mm	3,125.00
300mm	4,500.00

5. Quarterly Meter Size Sewerage Service Charges

Meter Size	\$
20mm	72.60
25mm	113.44
30 or 32mm	185.86
40mm	290.40
50mm	453.75
80mm	1,161.60
100mm	1,815.00
150mm	4,083.75
200mm	7,260.00
250mm	11,343.75
300mm	16,335.00

6. Minor Miscellaneous Charges

	\$
Sewerage services Rendered to Exempt Properties	
Quarterly charge per WC or UC	17.70
Metered Standpipe Charges	
Annual charge – 25mm outlet	125.00
Annual charge – 32mm outlet	204.80
Usage charge \$/kL	0.90
Blue Mountains Septic Pump Out	
Quarterly Fee	88.00
Usage Charges \$/kL	
80-100kL p.a.	8.00
above 100kL p.a.	16.00
Penrith and Hawkesbury Sewerage Schemes	
Maximum service charges will continue at prices applicable at 30 June 2000.	

7. Miscellaneous customer services

The maximum prices for miscellaneous customer services will continue at prices applicable at 30 June 2000.

8. Trade waste services

The maximum prices for trade waste services will continue at prices applicable at 30 June 2000.

9. Developer charges

The maximum prices for developer charges will be calculated by applying the methodology in Determination No 9, 1995 (matter SRD 95/4).

10. New or additional charges

Sydney Water Corporation must not levy any new or additional charges for water, sewerage and drainage services other than in accordance with this Determination, or with the approval of the Tribunal in future determinations. Any charges determined in an earlier determination of the Tribunal which are not expressly dealt with in this Determination will continue to be operative until further dealt with by the Tribunal in a future determination. If there is any inconsistency between this determination and an earlier determination of the Tribunal, this determination will prevail to the extent of the inconsistency.

11. Transitional rebates for pensioners

Residences with only water available	33% of water use to 75kL/quarter
Residences with water and sewerage available	\$17 per quarter

12. Consistency of determination with The New Tax System

- 12.1. In this paragraph "GST" means the GST as defined in *A New Tax System (Goods and Services Tax Act), 1999*.
- 12.2. Sydney Water Corporation must not levy a charge which would be higher than the maximum amount of the charge listed or calculated under this determination, if the GST (if any) that applies to that charge were added.