

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF PRICE STRUCTURES FOR METROPOLITAN WATER AGENCIES  
(Public Round Table)

Tribunal Members

Mr James Cox, CEO and Acting Chairman  
Ms Sibylle Krieger, Part-Time Member

Members of the Secretariat

Ms Amanda Chadwick and Mr Gerard O'Dea

Held at IPART Offices, Level 8, 1 Market Street, Sydney

On Monday, 29 August 2011 at 10.00am

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1 THE ACTING CHAIRMAN: Good morning, I would like to  
2 welcome everyone to this public workshop which is being  
3 conducted by the Independent Pricing and Regulatory  
4 Tribunal into the price structures levied by the four  
5 metropolitan water utilities - Sydney Water, Hunter Water,  
6 Gosford City Council and Wyong Shire Council.  
7

8 I would like, first of all, to introduce ourselves. I am Jim Cox.  
9 I am Acting Chairman, and Chief Executive Officer of IPART.  
10 I am joined for this review by my fellow Tribunal member,  
11 Ms Sibyle Krieger. Assisting the Tribunal are Secretariat  
12 members, Amanda Chadwick and Gerard O'Dea,  
13 who are sitting opposite me.  
14

15 This review has been initiated by IPART. We have  
16 commenced the review so that issue of price structure that  
17 affect all four utilities and their customers can be  
18 considered together rather than on a utility-by-utility  
19 basis. It is our intention that the findings of this  
20 investigation of price structures will progressively be  
21 implemented via periodic reviews of the four utilities.  
22

23 I would like to emphasise that this review is not  
24 about getting more revenue; it is about ensuring that the  
25 right customer groups pay the right revenue.  
26

27 Also it is important to note that any change that  
28 comes out from this review, and I am not sure whether we  
29 will in fact make any, will be phased in so that no  
30 consumer will face unreasonable price increases.  
31

32 In this context, price structure refers to the  
33 relationship between service charges and usage and the  
34 proportion of the total fixed and usage charges that each  
35 customer group pays.  
36

37 We are concerned that the current price structures for  
38 utilities may be unfair and that some customer groups may  
39 be subsidising others.  
40

41 As part of this investigation we released a discussion  
42 paper in June 2011 which outlined some of the major  
43 disparities arising from the current price structures and  
44 some of the options to address them. In the discussion  
45 paper, we called for submissions from the utilities and  
46 other interested parties. All submissions received have  
47 been placed on the IPART website and are available for

1 viewing.

2  
3 We are grateful to everyone who has made submissions  
4 to us. All of the submissions will be carefully considered  
5 by the tribunal in developing our findings and  
6 recommendations.  
7

8 Some of the organisations that have made submissions to  
9 the review will be participating at our workshop today.  
10 I would also like to thank all those who have agreed to  
11 participate here today. We consider this to be a very  
12 important part of our investigation.  
13

14 Before we commence proceedings, I would like to say  
15 few words about the process for the round table. We hope  
16 the workshop format will not only allow us to discuss the  
17 important differences between the parties who have made  
18 submissions but also will allow us to explore the scope for  
19 overcoming those differences and to see whether there are  
20 grounds for compromises to be reached.  
21

22 You have available to you an agenda which indicates  
23 the order in which issues will be considered. Each of  
24 these issues will be introduced by a short presentation  
25 from the IPART Secretariat and each of the presentations  
26 will conclude with identification of questions for  
27 discussion by the participants.  
28

29 At the conclusion of all the scheduled sessions, I  
30 will make a short period of time available for members of  
31 the audience sitting at the back of the room to express  
32 their views and opinions on the issues being discussed.  
33

34 I would like to start by inviting each participant at  
35 the table to introduce themselves for the record by stating  
36 their name and the organisation that they represent. I  
37 will then ask Amanda Chadwick to introduce the first  
38 session.  
39

40 MR S WILSON: Stuart Wilson, Sydney Water.  
41

42 MR K YOUNG: Kevin Young, managing director of Sydney  
43 Water.  
44

45 MR A NARDI: Angus Nardi, deputy director of the  
46 Shopping Centre Council of Australia.  
47

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1 MR L MARTIN: Leigh Martin, Total Environment Centre.  
2  
3 MR A MANGION: Antoine Mangion, policy research officer of  
4 the Combined Pensioners and Superannuants Association.  
5  
6 MS I JACKSON: Ingrid Jackson, Owners Corporation Network.  
7  
8 MS A CHADWICK: Amanda Chadwick from the secretariat.  
9  
10 MR G O'DEA: Gerard O'Dea from the secretariat.  
11  
12 MS I KINER: Inna Kiner from the Property Council of  
13 Australia.  
14  
15 MS L CASSIDY: Larissa Cassidy from the NSW Business  
16 Chamber.  
17  
18 MS E KNIGHT: Elizabeth Knight, from Gosford City Council,  
19 and also representing Wyong Shire Council today.  
20  
21 MR A AMOS: Andrew Amos from Hunter Water.  
22  
23 MR C DODDS: Chris Dodds, policy officer at the office of  
24 the Energy and Water Ombudsman.  
25  
26 MS E HALLIGAN: Erin Halligan, Public Industry Advocacy  
27 Centre.  
28  
29 THE ACTING CHAIRMAN: Thank you very much.  
30 Amanda, over to you.  
31  
32 Session 1: Charging home units and flats: sewerage service  
33 charges  
34  
35 MS CHADWICK: Firstly, I would like to welcome everyone  
36 to today's proceedings and to give you a very short outline of  
37 the format for today. The first things we will be doing is  
38 reviewing the residential charges, the sewerage service  
39 charge and then the water service charge. Then, after a  
40 short break for lunch, we will be discussing the  
41 non-residential charges, the sewerage usage charges,  
42 sewerage service charges and water service charges  
43 applicable to non-residential customers.  
44  
45 As the Acting Chairman has already emphasised, the  
46 premise of this review is about collecting the revenue from  
47 the right customer groups - so collecting the same revenue

1 from the appropriate customer groups. I guess implicit in  
2 that is that if one charge goes up, another charge must  
3 necessarily go down; so some would experience a reduction  
4 and some would experience an increase, depending upon the  
5 format of the Tribunal's recommendations. Our commitment  
6 in approaching this review is that any changes would be a  
7 transition to ensure that customer impacts are mitigated  
8 and no-one is unfairly penalised.  
9

10 There are three major issues that we see for this  
11 review and those are articulated in our issues paper. The  
12 first is: issues for residential properties, the current  
13 disparity between residential water and sewerage service  
14 charges between property types and across utilities.  
15

16 This can be summarised in terms of the amount that  
17 units and flats pay for their service charges. For some of  
18 the utilities they pay 40 to 50 per cent of what is paid by  
19 a single-dwelling household; but for other utilities they  
20 pay 100 per cent of what is paid by a single-dwelling  
21 house. That disparity is something that we feel is worthy  
22 of investigation and explanation.  
23

24 For the non-residential properties, there is again a  
25 disparity in the service charges for similar customer  
26 groups and utilities. I guess it is articulated most  
27 easily for me in that the service charges paid by a butcher  
28 on a high street are different from the service charges  
29 that would be paid by a butcher in a strataed commercial  
30 property.  
31

32 In terms of the sewerage usage charge, being the third  
33 area that we would like to discuss today, for us the key  
34 issue is about ensuring that the signal of the sewerage  
35 usage charge is an efficient one and that, by virtue of the  
36 levels that we set for the sewerage usage charge, we do not  
37 inadvertently encourage a more expensive position that  
38 might otherwise not be sustainable.  
39

40 I will turn to the first of those three issues, but  
41 before starting - for the benefit of those who read our  
42 discussion paper a month or so ago, through the course of  
43 today we might inadvertently refer to option 1, option 2,  
44 option 3 and option 4 - I thought I would recap those  
45 options and do my best not to use the terms in any case.  
46

47 The first one is called option 1, which is:

1 do nothing and leave the current inequities the  
2 way they are. The second option is to move to a standard  
3 premise-based service charge. That would ensure that a  
4 customer is a customer no matter where that customer is  
5 located - so it is that kind of premise. That argument  
6 assumes that the cost driver for each utility is in fact  
7 the number of premises that they serve.  
8  
9 Option 3 is about moving to a meter-based charge.  
10 That would ensure that, depending upon the size of the  
11 connection of the customer to the network, they pay a  
12 charge proportionate to that. We are also conscious that,  
13 for small residential customers, the smallest meter  
14 available is the 20mm meter, and that may be in fact be  
15 slightly too large to represent their demand and so it is  
16 modelled in the issues paper. We have given it a slightly  
17 smaller meter size.  
18  
19 Option 4 is about assuming that a multi-premise  
20 property is cheaper to service than a 20mm service charge  
21 for a single-dwelling property and fixing on a percentage  
22 that a multi-premise property would be charged relative to  
23 a 20mm service charge for a house. That would assume that  
24 there is a difference in the costs of servicing a unit  
25 versus a house. In weighing up these options, the criteria  
26 that we established in the issues paper were those of cost  
27 reflectivity, simplicity, equity and administrative  
28 efficiency.  
29  
30 I will show you an example of what we are talking  
31 about, using first the example of Sydney Water. This slide  
32 shows a single-dwelling house with a 20mm meter. Next to  
33 that is a block of units; next to that is a block of units;  
34 and next to that is a block of units. The difference  
35 between the units is their property type. The first one is  
36 individually metered. The second one is a strata unit with  
37 a common meter outside but not individually metered, and  
38 the third is flats and units and a non-strataed property.  
39  
40 What I am trying to illustrate through this slide is  
41 that in the case of Sydney Water sewerage charges the house  
42 is paying a charge and the strata unit is paying  
43 100 per cent of that charge where it is individually  
44 metered. Each of the strata units are again paying  
45 100 per cent of that charge for their sewerage service  
46 charge. The blocks and flats, the non-strataed properties,  
47 are again paying 100 per cent of that charge.

1  
2 However, the situation is different in Hunter.  
3 In that situation, Hunter Water's strata unit properties,  
4 be they individually metered or otherwise, are paying  
5 65 per cent of the charge that a house pays for its  
6 sewerage service charge. It shows clearly the nature of  
7 the issue and perhaps is the simplest of the examples that  
8 we will be illustrating today.  
9  
10 We have received a number of submissions on this  
11 issue. Without wishing to put words in your mouths,  
12 I think we have detected a general preference for charging  
13 all residential customers a standard service charge.  
14 However, we note that, in contrast, Hunter Water makes an  
15 argument that there are different cost stratas for flats  
16 and units and that they should pay 65 per cent of the  
17 household charge. And, of course, there is a general  
18 concern amongst stakeholders about managing the customer  
19 impact of any change to a more cost reflective model.  
20  
21 The submissions received focus on, I think, two of  
22 those options - option 2 and option 4. Option 2, the  
23 standard service charge, is an option that we would regard  
24 as cost reflective and simple to implement if the cost of  
25 providing sewerage services to houses and units is similar.  
26  
27 In the case of Sydney, Gosford and Wyong, there would  
28 be minimal customer impacts of adopting that model.  
29 Very earlier modelling, for what it would mean for the  
30 Hunter, is that it would see a house sewerage bill fall  
31 from \$521 to \$490, and a unit's charges increase from \$340  
32 to \$490.  
33  
34 Option 4 is the other option that received some degree  
35 of support, and obviously that would depend upon the  
36 percentage that it was deemed a house and a unit should be  
37 in terms of one another.  
38  
39 If we adopted the 65 per cent, which is the current  
40 number used in the Hunter, the house's bill in Hunter would  
41 not change, but in the case of Sydney, a house's bill would  
42 go from \$539 to \$635 and a unit's bill would go from \$539  
43 to \$412.  
44  
45 The questions that we hoped today's discussion could  
46 focus on are: whether or not there is a material  
47 difference in the cost of servicing flats and units

1 compared to houses, particularly where a house and a unit  
2 might both have two bedrooms, two bathrooms, one kitchen  
3 and one laundry; does the costs of sewerage maintenance  
4 vary in relation to the kilometres served and dwelling  
5 density or in relation to the customer type; should the  
6 same residential customer structure apply to all utilities,  
7 and which of those structures should we pick in the event  
8 that the decision is that the current differences between  
9 Hunter and the other three utilities is not appropriate;  
10 and the last question is as to the appropriate transition  
11 time.

12  
13 THE CHAIRMAN: Thank you very much, Amanda. We will  
14 now take questions and comments on residential sewerage  
15 service charges. Who would like to lead off on that issue?

16  
17 MR AMOS: Firstly, can I say that we support this process  
18 and IPART's objective of creating price structures that are  
19 simple and easy for customers to understand, and that  
20 provide a fair degree of consistency across all the  
21 utilities.

22  
23 I think we are also very pleased to see that, in our  
24 submission, we recommended that there be some wide  
25 consultation with the stakeholder groups, particularly  
26 property owners and people with strata interests, and I am  
27 pleased to see that representation around the table today.

28  
29 I think Amanda has done a pretty good job of  
30 summarising all that I really need to say about this. Our  
31 written submission did outline the pros and cons of each of  
32 the options. There is considerable variation in the  
33 impacts on customers, and on our own administration costs  
34 in each of those options that were put forward.

35  
36 At the end of the day, the administration can be  
37 handled. It is probably something that, in the more  
38 significant cases, will be quite costly for the  
39 organisation in altering billing systems and communicating  
40 with customers, but, at the end of the day, that can all be  
41 dealt with. It might just take some time to phase that in  
42 and to communicate all of that to customers.

43  
44 I think overall we are in favour of standardised sewer  
45 service charges. They are preferable from an equity point  
46 of view, and they are preferable from an administrative  
47 point of view. As Amanda said, we already have a minimum

1 service charge of two thirds of the house service charge  
2 for flats and units, so we already have a good database for  
3 flats and units and we can easily administer either  
4 a standard charge or a proportionate standard charge.

5  
6 I do think we have looked at this from a point of view  
7 of the occupancy of flats and units and their consumption,  
8 and the fact that we have only a fixed charge for sewer  
9 rather than any variable charge means that we need some way  
10 of reflecting the difference in flats and units in terms of  
11 their occupancy and their demand on the system. The only  
12 way to really do that with a fixed charge is probably to  
13 look at our proportionate charge and that is why we still  
14 favour retaining the proportionate charge.

15  
16 65 per cent, or somewhere around the 60 to  
17 65 per cent, seems to be a fair approximation of demand, if  
18 you look at average occupancy rates for multi-residential  
19 properties, and if you look at what we call end or demand  
20 for multi-occupancy properties and compare that with the  
21 end or demand of stand-alone houses. Our preference is to  
22 have some sort of standardised rates, but preferably one  
23 that is a proportion for flats and units and for houses, as  
24 Amanda summarised. I will leave it at that. Thank you.

25  
26 MR YOUNG: I have a few comments. From Sydney Water's  
27 point of view, it would have a preference to keep the  
28 current system available. We see this as a question of  
29 each of the units, flats and houses making a contribution  
30 of availability and a connection cost, if you will, to the  
31 system as a whole.

32  
33 If you look at the question of do sewerage maintenance  
34 costs per kilometre vary, I suspect not too much, but it's  
35 not the question of the maintenance costs for the pipe in  
36 the front, because these are systems that you have to  
37 provide not just for the back at the front, but they go  
38 into major trunk mains, and virtually no-one's connected to  
39 a major public station. It is really a question of how do  
40 you get an equitable connection cost, availability cost and  
41 service charge that makes a contribution to the fixed costs  
42 of the business.

43  
44 I think the reality of life is that the way this works  
45 out, that doesn't cover the fixed costs of the business in  
46 any event, the service charge. So, for simplicity, we go  
47 for 100 per cent.

1  
2 I think Hunter argues a good case, but it's based on  
3 a volumetric. So, as a contribution as availability  
4 charge, do you proxy it up by a volumetric of how many  
5 people are living in the business? I think that is the  
6 real question for IPART to consider. Or is it just  
7 a connection cost, a contribution to the fixed costs of the  
8 business, that needs to be covered, even if there is  
9 a small number of people or a large number of people in  
10 that residence. It is a question for the Tribunal.  
11  
12 THE CHAIRMAN: What seems to be at issue here is  
13 whether, in some sense, costs are less because flats typically  
14 use less water. That seems to be what the issue is.  
15  
16 MR YOUNG: It is. The interesting thing with the waste  
17 water business is that a lot of the costs are fixed and  
18 I think for the maintenance of the major trunk stations, we  
19 could go through all of the things that are fixed in the  
20 business, but it is less impacted by the variable costs  
21 when you consider the capital that goes into it.  
22  
23 To me, it's not so much a volumetric as a contribution  
24 to the fixed costs of the business and paying a proportion  
25 to be a member, to be a customer, as part of a large  
26 system.  
27  
28 MR WILSON: That's right. As Kevin said, in Sydney, like  
29 the Hunter flats and units may use less water, they  
30 discharge a higher proportion of the water that they use to  
31 the sewerage system because they have less outdoor use.  
32  
33 While we haven't got the figures, we think that the  
34 proportions of discharges in Sydney are closer than in the  
35 Hunter. I think the people who live in flats and units are  
36 more a representative of a household than perhaps in the  
37 Hunter. We just don't really see material difference in  
38 the look and feel of different occupants. We are probably  
39 slightly different in that respect.  
40  
41 MR YOUNG: Chairman, I was remiss in not saying that we  
42 also are pleased to be here today, and the principles that  
43 Amanda put up, we would agree with as well.  
44  
45 If there were to be any changes, we would look for  
46 transitional effects. I think the issue for the Tribunal,  
47 as we talk through the day, if there are any transitionals,

1 is what would be the length of the transition and what are  
2 the steps. We also note that this is revenue neutral.  
3 This not a question about revenue, it is just a question  
4 about equity, which I think is what the Tribunal is looking  
5 at.  
6  
7 MS JACKSON: I am Ingrid Jackson and I am from the  
8 Owners Corporation Network, which is a key body for owners  
9 of multi-unit premises in strata schemes. We would perhaps  
10 be the consumer representative at the table.  
11  
12 I appreciate, and we appreciate, being able to  
13 participate in this review. I just want to lay out a few  
14 considerations that I think need to be considered by IPART  
15 when making decisions or recommendations.  
16  
17 The Owners Corporation Network does appreciate and  
18 recognise that all users benefit from the total  
19 infrastructure administration costs, and that that is  
20 a large proportion of the fixed costs.  
21  
22 We also see that the sewerage service charge is  
23 a large portion of the bill. There are a number of  
24 considerations we would like to have IPART consider, and  
25 because these are similar to what we will later talk about  
26 when we talk about water, I will talk about these  
27 considerations now and probably not repeat myself over and  
28 over again.  
29  
30 One is that equity does not necessarily mean equal.  
31 I would refer you to the census results of 2006, which  
32 clearly demonstrate that in general, on average, a larger  
33 proportion of houses have either three or four bedrooms and  
34 may have up to five people living there, whereas, in  
35 general - and this is Sydney as well as  
36 Australia-wide - units tend to have one to two bedrooms and  
37 may only have one or two people living there.  
38  
39 We note that when the original decision was made to  
40 charge on the basis of water capacity - meter size - that  
41 was reflecting that differentiation. I think one of the  
42 things we would like IPART to consider is that equal is not  
43 necessarily equity. The question is you, and I guess, the  
44 utilities, are looking at it from the point of view of a  
45 customer, but you are calling a customer a dwelling rather  
46 than calling the customer the people who use the service.  
47

1 Another underlying consideration is the anomalies that  
2 exist. From the point of view of sewerage - obviously  
3 there are no differences in Sydney Water, everyone pays the  
4 same sewerage service charge at the moment - one of the  
5 options being put is using the meter size as a way of  
6 looking at things. I think that it is important to be  
7 aware that there are anomalies between payments when  
8 looking at meter size.  
9  
10 One anomaly clearly is the fact that individually  
11 metered properties would then be charged differently than  
12 metered properties. Another key factor is that we found by  
13 sort of surveying a bit our own members, that even amongst  
14 common metered properties, there is quite a diversity of  
15 water service charges. Some lots are only 12 lots, some  
16 are 35, some are 62, 126, 221, and some of those all have  
17 the same meter size.  
18  
19 So, depending on how many properties there are in  
20 a unit, even though they may be the same service charge, it  
21 influences the water service charge, and that has  
22 implications for the option that is looking at meter size  
23 based charging, because the sewerage service charge is  
24 a large amount compared to the water service charge.  
25  
26 So, differentiating by meter size would have a large  
27 impact on anomalies between two buildings side by side, one  
28 of which might be smaller and one of which might be larger.  
29 It's not just about meter size; it's also about numbers of  
30 units. There are a lot of anomalies and a lot of  
31 unfairness in charging, and that would translate into  
32 sewerage service charging, if that was done that way.  
33  
34 Another consideration would be inconsistencies in  
35 thinking about charging. At the moment, for example,  
36 Sydney Water uses a meter size based charging methodology  
37 for water, but it does not use the same thinking relating  
38 to sewer charging. Of course, each of those services has  
39 infrastructure and administrative costs. The arguments  
40 would appear to be the same for water and for sewerage.  
41 We would be concerned if there is no consistency between  
42 thinking about water service and sewerage service.  
43  
44 We would also recognise differences between water  
45 utilities, because the customer base is obviously quite  
46 different, and that does need to be taken into  
47 consideration.

1  
2 A final point in relation to sewerage service charges  
3 is that the bill is additive - the water charge and the  
4 sewerage charge add up and make a whole bill. It is the  
5 full bill impact that needs to be taken into consideration,  
6 and the fairness and equity between bills. I know we are  
7 looking only at sewerage, but I think it all has to be  
8 looked at.  
9  
10 Rather than going from one to another, these  
11 underlying points are key to decision-making. Modelling is  
12 required in order to fully understand the implications of  
13 each of the models. I guess what I am saying is that  
14 option 3 looks likely to have a lot of anomalies in it. We  
15 are not uncomfortable with option 1, which is leaving  
16 Sydney Water as it is, but there are discrepancies between  
17 utilities. Options 4 and 2 sound closer to a logical way  
18 to go.  
19  
20 THE CHAIRMAN: Thank you very much for that.  
21  
22 We will take those points. I just want to clarify,  
23 you don't see any real difficulties with the way that  
24 Sydney Water charges sewerage service charges at the  
25 moment?  
26  
27 MS JACKSON: We don't see any real difficulty. Because we  
28 don't have any modelling in front of us, or any real data,  
29 the question is what proportion is really for a fixed cost  
30 of infrastructure and admin, and are there some actual  
31 variabilities between the costs to individual types of  
32 properties.  
33  
34 THE CHAIRMAN: Thank you very much. Who would like  
35 to go next?  
36  
37 MR MARTIN: Thank you, Mr Chairman.  
38  
39 Total Environment Centre does believe that the current  
40 pricing arrangements need to be reformed. We don't have  
41 a strong preference between options 2, 3 and 4, but I think  
42 a general principle that needs to be considered is that the  
43 costs for sewerage services should, at least in part,  
44 reflect the environmental costs of collecting, treating and  
45 disposing of effluent.  
46  
47 That is currently very difficult to do, and we think

1 that the prices that are charged should be reflective in  
2 some respect of the quantity of waste water that is  
3 produced. On current arrangements, that is very difficult  
4 to do. Hunter Water previously had actual sewerage uses  
5 charges for those customers with individual meters and that  
6 is something that we supported. I note that is no longer  
7 in place.

8  
9 A general principle that I will talk more about when  
10 we come to water charges, is that this is an issue which  
11 seems to be raised in some form at each price review, and  
12 we really do need to see some progress towards individual  
13 metering, increasing the individual metering particularly  
14 for multi-dwelling premises. Otherwise, we are going to  
15 continue trying to find, I guess, a bolt-on solution to  
16 this problem in whatever solution we adopt, so we would  
17 like to see some progress towards individual metering  
18 between now and the next review.

19  
20 THE CHAIRMAN: Thank you.

21  
22 MS KNIGHT: On behalf of the councils, we have a smaller  
23 customer base than both Sydney and Hunter, and I guess our  
24 billing systems are also leveraging off our existing rating  
25 billing system which has constrained how we have charged  
26 our customers to date. I think that it is really timely to have  
27 this Tribunal review and think about does that really work  
28 for our water customers, charging on a real property basis.  
29 Because what hasn't been made particularly clear as yet is  
30 that council does charge each strata unit individually, but  
31 if a property is not strataed, we don't have that level of  
32 information currently to be charging each of those  
33 properties individually.

34  
35 The council certainly supports a billing or price  
36 structures that represent the costs of servicing, but I think  
37 it is really important to find the balance between cost  
38 reflective pricing and the actual costs that are incurred  
39 to set up those bills and collect the information that we  
40 need to send those bills out to the customers.

41  
42 So it is finding that balance that we are really keen  
43 to do and are happy to work with the Secretariat and IPART  
44 to find where that is.

45  
46 MS KRIEGER: Can I just ask whether Sydney Water are in  
47 the same position? Where there are multi-dwelling premises

1 that are not strataed, do you have the data of how many  
2 units there are in a block of units, for example?

3  
4 MR WILSON: We do have the data, because we charge  
5 a common sewerage charge to all units. It is not always  
6 easy to extract that information and do an analysis on it,  
7 though, because it is deep within the billing system. We  
8 do have the data, yes.

9  
10 MR YOUNG: We do have the data, yes.

11  
12 THE CHAIRMAN: Are there further comments?

13  
14 MS KRIEGER: Could I just ask a question of Mr Martin.  
15 When you were talking about the need to increase individual  
16 metering and to try and reduce the volume of waste water  
17 discharge, the individual metering is with that in mind as  
18 a demand management tool?

19  
20 MR MARTIN: And certainly in relation to water usage as  
21 well.

22  
23 MS KRIEGER: Okay. So not just waste water?

24  
25 MR MARTIN: Not just waste water, but water usage as well.

26  
27 MS KRIEGER: When you were referring to the cost to the  
28 environment of waste water discharges, what we currently  
29 do, as you know from papers that we have put out, is we  
30 allow utilities to pass through the cost to them of  
31 environmental compliance. Are you talking about something  
32 in addition to that?

33  
34 MR MARTIN: I am talking about the externalities that are  
35 involved in the disposal of sewerage effluent.

36  
37 MS KRIEGER: To the extent that they are not picked up in  
38 those prices?

39  
40 MR MARTIN: To the extent that they are not currently  
41 reflected.

42  
43 THE CHAIRMAN: Listening to people around the table, the  
44 overwhelming impression I get is that people like it the  
45 way it is. I just wonder if I can ask Andrew, are there  
46 differences between Sydney and the Hunter that we should be  
47 aware of that might justify movement?



1  
2 MR AMOS: If we move to the common charge for all of them,  
3 it does affect probably around 37,000 multi-occupancy  
4 properties. And by "properties", I mean that is the  
5 subunit properties, the flats and the units.  
6

7 The numbers that Amanda quoted I think match up to our  
8 modelling very well. It is pleasing to see for once that  
9 we can get our modelling and IPART's modelling pretty  
10 close. But, yes, we do get that sort of difference moving  
11 from something like \$390 a year for a flat or a unit, per  
12 unit or per flat charge, to something around \$490. That's  
13 about what would probably be the movement.  
14

15 THE CHAIRMAN: Can you just repeat those numbers?  
16

17 MR AMOS: The numbers Amanda quoted were the two-  
18 thirds charge that we now impose as a sewer service charge  
19 on flats and units, \$390, and it would have to move to \$490 to  
20 match that of a standard house.  
21

22 That is pretty close to our modelling. I think our  
23 modelling is \$488, so I am not going to quibble on a few  
24 dollars. Does that address the issue?  
25

26 THE CHAIRMAN: What I thought was that you wanted to,  
27 even in principle, so to speak, continue with your proportional  
28 uses charge for sewerage services?  
29

30 MR AMOS: Yes. In principle, if we look at water billing,  
31 for a stand-alone house about 95 per cent of that is the  
32 usage charge and 5 per cent is water service charge. As  
33 I will probably outline in the next section, we have a very  
34 low water service charge, just under \$19 a year.  
35

36 So 95 per cent of our bill is made up of the water  
37 usage. That reflects customer consumption patterns and  
38 uses. There is an in-built equity arrangement in that,  
39 because people who consume a large amount of water or  
40 households that are larger, with five or six people in  
41 them, will consume larger amounts of water. That is  
42 reflected in the water usage price.  
43

44 There is no such mechanism in the sewerage system flat  
45 charge. If you want to have some degree of equity in it,  
46 then I think maybe you need to look at basing sewer service  
47 charges on some proxy of household size. Both in terms of

1 internal household use for flats and units compared with  
2 internal household use for houses, we get a relationship  
3 that is about 60 or 65 per cent. Similarly, as one of the  
4 other speakers mentioned, for occupancy rates in flats and  
5 units versus occupancy rates in houses, again that is about  
6 60 per cent. So if you use occupancy rates and internal  
7 water use as proxies, then the two-thirds relationship  
8 holds up pretty well.  
9

10 THE ACTING CHAIRMAN: So this is an argument about  
11 equity and dealing with large users and large families fairly,  
12 in your view?  
13

14 MR AMOS: Yes, and if we move to a standard charge the  
15 same as a house, then the equity arrangement and the impact  
16 arrangement is on 37,000 houses and it is that move from  
17 \$390 to \$490. So it is that sort of movement, but they are  
18 the impacts.  
19

20 MS CHADWICK: Andrew, I guess that in terms of the  
21 sewerage service charge for residential customers, the  
22 issue is that three utilities have one structure and Hunter  
23 has a different structure. There may be good reasons for  
24 that, but we need to be able to articulate what those  
25 reasons are. The argument that is put, namely, that a  
26 customer living in a strataed property has a similar series  
27 of costs in services and sewerage as a customer living in a  
28 house is that the sewerage system is largely a fixed-cost  
29 business. How would you distinguish Hunter's system from  
30 the other systems?  
31

32 MR AMOS: If I go back to 2000 when we introduced the  
33 minimum charge for the sewer service charge, we didn't  
34 actually introduce it on the basis of occupancy rates or  
35 usage. What we actually looked at were our design criteria  
36 for waste water systems. Our design assessment for waste  
37 water systems was that the multi-occupancy properties per  
38 unit per flat put about two-thirds of the load on the  
39 system for design purposes. So again that was the basis of  
40 our original adoption of that charge and I don't think that  
41 situation has changed.  
42

43 I do think there is a world of difference between a  
44 five-bedroom mansion and a studio unit and that should be  
45 reflected in some way.  
46

47 MS JACKSON: But even more importantly, rather than the

1 extremes is the fact that the 2006 census shows that, in  
2 general, most houses have larger numbers of rooms and  
3 people and units, almost in general, only have one or two  
4 people with one or two bedrooms. So it is a principle  
5 right across the board and not just at the extreme.  
6

7 MR AMOS: And that is what I am referring to by our  
8 information on occupancy rates. The occupancy rate in  
9 flats and units is generally around 60 to 65 per cent of  
10 that in houses.

11  
12 MR O'DEA: I think we have talked around the numbers a  
13 little bit, but our investigations show that the costs for  
14 the sewerage system are between 92 and 95 per cent fixed  
15 costs. The costs of processing 200 kilolitres of effluent,  
16 which is a fairly large house, is only in the order of \$20  
17 to \$30. That research matches up with what has been done  
18 in South Australia and Canada and it is in published data.  
19

20 The volume is essentially irrelevant in the cost of  
21 sewerage. It gets down to the fixed costs issue. Andrew  
22 makes the point that there is a big difference between a  
23 studio unit and a five-bedroom mansion. But, in Sydney's  
24 case, we have 250,000 single-dwelling houses which are  
25 occupied by pensioners as well.  
26

27 One of the points up there is: is there sufficient  
28 overlap or is there a significant overlap between new  
29 units, which might be three-bedroom or four-bedroom  
30 properties and some of the one-bedroom or two-bedroom  
31 properties in Western Sydney to be able to distinguish  
32 them? I think that's the question for the tribunal.  
33

34 MR AMOS: Gerard, I think that is probably all quite  
35 right. The issue of inequities within the stand-alone  
36 house group will still remain an issue, and I think we  
37 acknowledged that in our submission. It is an issue for us  
38 now. We do get people who live in stand-alone houses, with  
39 one or two occupants, making those claims to us and we  
40 have had more of them since the sewer usage charge was  
41 removed because they see that it is being for one time at  
42 least part of the proxy for the number of occupants in the  
43 house. We are charging on the basis of the number of  
44 occupants in the house.  
45

46 However, I don't know that you can chase every equity  
47 issue down the rabbit hole to the very extreme, and the

1 same applies to council rates and garbage rates. It  
2 doesn't matter what the occupancy of the stand-alone house  
3 is; they pay the same rates. So in the interests of  
4 simplicity, I am not sure that we can solve all the equity  
5 issues at once.  
6

7 MR YOUNG: I agree that is why we leave IPART these  
8 difficult issues to decide. It is true that, even in units  
9 and flats, you can have one-bedroom, two-bedroom,  
10 three-bedroom or four-bedroom units. There is a great  
11 diversity in that.  
12

13 Of course, there is an issue about the waste water  
14 system, taking Leigh's point about the externalities.  
15 Whether it is discharged into a coastal environment or a  
16 sensitive inland environment makes a difference in costs as  
17 well that are not reflected at the present time. Those are  
18 other issues to take into account.  
19

20 On waste water systems and this question of volume - Gerard  
21 referred to volume having a small cost component - the  
22 point I would make is that, in waste water systems  
23 generally, the big design factor is for the overflows to  
24 the environment. So the actual flow that comes from houses  
25 or units is a small component of what the system is  
26 designed for, which is the wet weather flows coming in and  
27 looking at those environmental criteria that are signed off  
28 with the Office of Environment and Heritage. That overall  
29 criterion for the system is really not based strongly on  
30 the flows coming from each area, but it is the  
31 environmental overflow criteria that drive it.  
32

33 Hunter is using the two-thirds, and I think that is  
34 true from the design. I believe that that originally came  
35 from Public Works, being the criteria that were adopted for  
36 generally non-metropolitan areas throughout New South  
37 Wales. I think that would be based on data that was picked  
38 up in the 1970s, from my recollection. Although today the  
39 question we would ask is: is that reflective of how we see  
40 modern society and modern metropolitan areas? There has  
41 been a transformation in the way we live in cities at the  
42 present time compared with back then with major unit and  
43 apartment development.  
44

45 MS KRIEGER: So what you are talking about there is a  
46 deliberate overcapacity for normal circumstances to cater  
47 for wet weather overflows that would otherwise lead to

1 environmental problems?

2  
3 MR YOUNG: Absolutely. The system is designed with extra  
4 capacity. What we know is when we get major wet weather  
5 events throughout our area, that rainwater can either  
6 infiltrate or overflow from people's backyards into the  
7 sewerage system, and that does have an impact. That is why  
8 the systems are designed to minimise the number of  
9 overflows to the environment. It is an environmental  
10 concern and that is the dominant driver. The whole  
11 community shares in the benefits from the money that is  
12 invested to protect the environment through those systems.

13  
14 THE ACTING CHAIRMAN: I guess I am left with a sense of  
15 most people accepting that, on grounds of cost  
16 reflectivity, there is not a difference between houses and  
17 flats; but Hunter is concerned with the equity implication  
18 of moving towards the flat charge for houses.

19  
20 MR AMOS: Yes.

21  
22 THE ACTING CHAIRMAN: We have probably taken the  
23 first session as far as we can unless there are further  
24 contributions and I think we should move on to the second  
25 section, which is water service charging, and we will start  
26 off with the secretariat.

27  
28 Session 2: Charging home units and flats: water service  
29 charges

30  
31 MS CHADWICK: One of the issues that was raised in the  
32 discussion we have just had is the extent to which the  
33 current charging system creates or does not create an  
34 incentive for individual metering of properties and how  
35 individually metered and strataed properties are dealt  
36 with.

37  
38 I think this second illustration takes that point a  
39 little bit further. Again we have a house and three  
40 properties next to that house that are, on the face of it,  
41 absolutely exactly the same except for their metering and  
42 their legal ownership. We have the house with the 20mm  
43 meter outside. Next to it is a strata unit property with  
44 10 units, each individually metered, each of those  
45 individually metered strata properties are paying, in  
46 Sydney, 100 per cent of the water service charge of what  
47 that house pays. Next to that property is another strata

1 property, but it is not individually metered. They are  
2 paying 45 per cent of the water service charge otherwise  
3 payable by a household; and the third property is flat  
4 and units, so a common property ownership type with a  
5 40mm meter outside. Again they are paying 45 per cent of  
6 the service charge otherwise payable by a house.

7  
8 I will now draw in the other three utilities by way of  
9 illustration. The individually metered property in the  
10 Hunter is paying about 50 per cent of the water service  
11 charge otherwise payable by a house. Each of the strata  
12 units inside a strata property that is not individually  
13 metered is again paying about 55 per cent of what a house  
14 would otherwise pay; and the building owner of the flats  
15 and units with the 40mm meter outside is paying about  
16 55 per cent for each of those properties.

17  
18 By contrast, when we look at Gosford and Wyong, each  
19 of those premises is paying 100 per cent of the water  
20 service charge of the house.

21  
22 It might be useful at this stage also to draw in that  
23 these are not the only types of residential properties and  
24 structures out there. There are also dual occupancy  
25 dwellings and duplexes. In the case of the councils, each  
26 occupancy pays a single-dwelling water service charge.  
27 However in the Hunter and in Sydney, where there is only  
28 one meter, that actual occupancy or duplex would pay one  
29 single-dwelling charge - so that is half between the two of  
30 them.

31  
32 In the case of company title and community title  
33 buildings, for each of the councils, each dwelling would  
34 pay the 20mm meter service charge. However in the case of  
35 Sydney Water and Hunter Water, it would pay a proportion of  
36 the common use charge based on the property size. I guess  
37 we are illustrating that the situation is increasingly  
38 complex.

39  
40 The main point of that illustration is to show that,  
41 under the current structure, there is a difference between  
42 the utilities in terms of the price structure, but also a  
43 potential penalty for properties that are individually  
44 metered in Sydney. This difference is important when you  
45 consider that the number of unit dwellings is growing much  
46 faster than the number of houses. That is particularly  
47 important if, in fact, the cost driver is customer numbers,

1 and that would mean that, over time, houses would be paying  
2 an increasingly unfair share of the costs.

3  
4 This next slide is simply an illustration of flats and  
5 units as a percentage of the total residential customer  
6 numbers for each of the utilities at a time. Without  
7 wishing to round too much, by about 2030, for each of the  
8 utilities, houses would make up approximately 60 per cent  
9 of the residential customer base and units and flats would  
10 make up approximately 40 per cent of the customer base.

11  
12 Perhaps the other illustration I should give you is in  
13 terms of water, by virtue of IPART's long-standing  
14 commitment to set water usage charges in relation to long  
15 run marginal cost. On one hand, you see the cost of the  
16 average utility across the four utilities and, on the  
17 other, you see the revenue. What that illustrates is that  
18 the majority of the water revenue is, in fact, collected  
19 from the water usage charge and the water usage charge is  
20 common across all property types. So what we are really  
21 talking about is that 20 per cent box at the bottom of that  
22 slide. We are talking about how that 20 per cent should be  
23 allocated between these customer types.

24  
25 In terms of the submissions that we have received,  
26 I detect a general preference for charging residential  
27 customers a standard service charge. We have also seen  
28 that from the discussions today. In the Hunter Water  
29 submission, there is some support that the water service  
30 charge for flats and units might be closer to a water  
31 service charge payable by a household in a single-dwelling  
32 house, rather than the current 65 per cent number, and  
33 there is a general concern about managing customer impacts.

34  
35 In terms of the pros and cons, again, based on the  
36 submissions, perhaps we should focus our discussions on  
37 option 2 and option 4. What would be the impact of  
38 option 2 is: a standard service charge is, we would regard  
39 as reasonably cost reflective and simple to implement  
40 provided that the cost of providing those services to  
41 houses and units is in fact similar.

42  
43 The adoption of this method would mean no change for  
44 Gosford and Wyong. It would mean changes for both Sydney  
45 and Hunter, and in both instances the cost of houses' water  
46 service charges would fall and the cost of apartments'  
47 water service charges would increase.

1  
2 In the case of Hunter, the water service and usage  
3 charge combined would move from somewhere in the order of  
4 \$422 for a house to \$418 for a house - so a very small  
5 movement. For a unit, the water service and usage charge  
6 would increase from about \$327 to \$342.

7  
8 For option 4, charging flats and units a percentage of  
9 the house charge would again be reasonably simple and cost  
10 reflective to implement. The impacts would depend entirely  
11 upon the percentage chosen, and in terms of the general  
12 direction, the water service charge of a household living  
13 in a single-dwelling house with an individual meter out  
14 front would rise; whereas the costs for an apartment would  
15 fall.

16  
17 The last thing we would emphasise in terms of today's  
18 discussion is that the water service charge across the four  
19 utilities is a much smaller component of the bill than the  
20 sewerage service charge.

21  
22 The questions for discussion are very similar to those  
23 relating to the sewerage service charge. Again we are  
24 interested as to the cost drivers. Are there material  
25 differences in the costs of servicing flats and units  
26 compared with houses? There is the question of should the  
27 four utilities each levy the same residential water service  
28 charge structure across their customer types; and, if so,  
29 which of the four structures should be chosen, or is there  
30 another structure that we have not yet identified, and what  
31 would be a reasonable transition time?

32  
33 THE ACTING CHAIRMAN: Thank you very much. Who  
34 would like lead off? Kevin?

35  
36 MR YOUNG: This is a really interesting area with major  
37 transitional issues. Sydney Water favours the option 2,  
38 which is the standard charge. I think Amanda did a great  
39 job in giving an overview of the key points and raising the  
40 key issues.

41  
42 To explain that in a little bit more detail, I think  
43 what Amanda was covering was the average position for units  
44 and flats and the average for houses, and that is fair.  
45 The more detailed information that Sydney Water would have  
46 is that there are more divergent impacts for units, not on  
47 an average basis itself. If I can explain, the amount that

1 you pay at the present time depends on how many units you  
2 have in your complex and whatever the size of the meter  
3 that you end up with.

4  
5 Those of us around the room could visit the same type  
6 of two-bedroom unit with the same layout and the same  
7 fixtures in different places around the Sydney area and we  
8 would see major differences in what they were paying for a  
9 service charge. That major difference would just reflect  
10 that configuration at the earlier stage when the unit was  
11 being built. So differences could be that that same unit  
12 could pay as little as 2 to 3 per cent of a household  
13 charge for access to water. It could be as low as a couple  
14 of per cent, so one-fiftieth of the cost of a household.  
15 Other units, a small number, depending on their  
16 configuration, could be paying more than a household.

17  
18 There is a huge diversity of payments in those  
19 two-bedroom units that we could visit, units that had the  
20 same layout and the same fixtures. You could ask yourself  
21 the question, from an equity viewpoint: why the difference  
22 in costs? That is an issue that the tribunal has to  
23 grapple with from an equity viewpoint. They should be  
24 paying similar costs.

25  
26 Amanda has made a really good point about transition,  
27 and I think you have asked the question as to what is an  
28 effective time period for transition. It should be long  
29 enough so that the step increase is something that the  
30 owners can get used to over a time period. The transition,  
31 I think, will depend on where they are presently and what  
32 is the new process coming in for the Tribunal to consider.

33  
34 Having come into the job, I have asked Sydney Water to  
35 look at this question of multi-unit metering for the  
36 future, and I do agree with Leigh's comments. It is  
37 something that we should investigate and see whether we  
38 could bring that in for new blocks to actually have that  
39 signal. Having shifted to Sydney myself recently, to an  
40 apartment, I don't have a meter there to be able to sense  
41 how much I am using. I think that is something in the  
42 future that we could consider.

43  
44 There are some issues there, but I don't think they  
45 are insurmountable, so we will be having a look at that  
46 issue.

47

1 THE CHAIRMAN: Thank you. Who would like to go next?

2  
3 MS JACKSON: I will go next. I will repeat some of the  
4 same criteria, and a few others. I appreciate what Amanda  
5 has said and also what Kevin has said. I think a lot of  
6 that is in line with what the Owners Corporation Network is  
7 thinking.

8  
9 Again, the issue is equity is not equal. I repeat,  
10 thank you Kevin for talking about two-bedroom units, and  
11 I understand, Andrew, there is, of course, a diversity of  
12 units ranging from studios all the way up. Again, the  
13 census shows that if you take the mode, units tend to be  
14 one or two bedrooms and houses tend to be three or four  
15 bedrooms. Similarly, if you look at the mode of how many  
16 people live in there, you get one or two people living in  
17 units, whereas in houses you are looking at up to five.

18  
19 Because we can't differentiate between individual  
20 units and individual houses, we are going to have to look  
21 at modes, which would seem logical to me.

22  
23 I appreciate looking forward toward metering  
24 multi-unit premises but, at the moment, that is generally  
25 not the case, so not only is there no price signal for  
26 water saving, but it also means the individual unit owner  
27 cannot manage their bill, and cannot reduce their bill by  
28 using less water to compensate for other charges. A house  
29 clearly can. There is a lot of scope for managing water  
30 usage.

31  
32 The Owners Corporation Network would strongly put that  
33 there are real differences between people who live in units  
34 and people who live in houses, and that, in fact, houses  
35 are a greater user of the service.

36  
37 Another fact that was pointed out by Sydney Water is  
38 are there anomalies in Sydney Water between the charging  
39 for people who live in different units, and we support that  
40 issue. That is a major issue in equity at the moment.  
41 I might live in a unit next door to another block of units,  
42 and I may be paying quite a different service charge for  
43 water, just because they have more apartments, even if they  
44 are the same meter size.

45  
46 This needs to be tempered by the fact that actually  
47 the water service charge, as it stands at the moment, is

1 a small proportion of the bill. That may not be the case  
2 in the future, and we can't premise our price structure on  
3 the basis of that forever. As it stands at the moment, the  
4 impact of the change in water service charge is smaller  
5 than the average proportion.  
6

7 I guess the other factor that needs to be taken into  
8 consideration, both for sewerage and water, is that the  
9 price structure changes will go hand in hand with the  
10 review of prices. So the impacts, in spite of the fact  
11 that it is being calculated on today's prices, are going to  
12 be different and bigger. That does need to be taken into  
13 consideration, both in terms of structure and in terms of  
14 the transition period. I think that probably covers most  
15 of our concerns.  
16

17 As a result, we wouldn't tend to support the option  
18 that charges houses the same water service that it charges  
19 units. We in fact would consider there is probably an  
20 anomaly or unfairness or inequity between current  
21 multi-premise dwellings that are individually charged, who  
22 are being charged as if they are a house. That may not be  
23 correct or fair.  
24

25 It is looking like option 4 looks the best. Option 3  
26 has a lot of anomalies, but obviously charges less to units  
27 in general.  
28

29 THE CHAIRMAN: Just to be clear, Amanda's diagram shows  
30 the differences in charges that multi-dwellings could face,  
31 depending on whether they are individually metered or not.  
32 You would see it as important to remove that anomaly?  
33

34 MS JACKSON: That anomaly does appear to be an  
35 inequitable anomaly. It just so happens that some people have  
36 a meter and some people don't. Also, statistically we know  
37 that units in general are a smaller population of people and  
38 size.  
39

40 THE CHAIRMAN: Thank you.  
41

42 MR AMOS: I think our opinion on both water and sewer  
43 service charges is that we do favour some form of  
44 standardised charging costs to flats and units, and houses.  
45 The difference is, with water, as I pointed out - and I am  
46 probably going to repeat myself too - the water service  
47 charge for us at present is very, very small. It is almost

1 minuscule. We can't always guarantee that that will be the  
2 case after the next price review, of course, but  
3 conceivably it won't go up by a huge amount. It is still  
4 going to be a very small proportion of the bill. So the  
5 sorts of impacts that Amanda mentioned are probably  
6 reasonable, and I don't think they have a great deal of  
7 impact on the individual properties. So we do favour  
8 standardising. As we detailed in our submission, it  
9 certainly makes our administration of billing flats and  
10 units much simpler, and we certainly favour that.  
11

12 At the moment our system is very complex and some of  
13 those complexities lead to a number of customer issues and  
14 complaints and they, in themselves, apart from the  
15 inconvenience they cause customers, have a cost in dealing  
16 with them. So our preference is to move to a standardised  
17 charge and I think, given the size of our water service  
18 charge, whether it is proportionate or whether it is the  
19 same as a house is probably not material at this stage.  
20

21 THE CHAIRMAN: Just to be clear, you think equity issues  
22 are less significant for the water service charge than for  
23 the sewerage service charge because the water service  
24 charge is so much less?  
25

26 MR AMOS: Because it is so much less and because the  
27 household size issue, after it is taken up, is reflected by  
28 the demand for water, which is reflected in the water usage  
29 price. So that equity consideration is absorbed in the  
30 water usage component of the bill.  
31

32 THE CHAIRMAN: Thank you.  
33

34 MR DODDS: I haven't got much to add to the technical  
35 argument that's going on. I think that it is incumbent on  
36 the utilities to provide that level of technical argument  
37 to IPART so that an adequate equity decision can be arrived  
38 at.  
39

40 I suppose in terms of the sorts of issues that we have  
41 to deal with, the transition process is fairly critical in  
42 terms of both the utilities heading off complaints and,  
43 more importantly, so that there is an opportunity for  
44 customers to cope with what is just one more of a range of  
45 change in prices.  
46

47 In the energy hearing, I made the point that, having

1 government departments saying, "We are looking into this"  
2 is probably not something that IPART should just accept at  
3 face value. I will make the same point in this discussion  
4 paper. There is a reference - because we think that one of  
5 the things, at the very least, IPART should mention to the  
6 government because it is a source of complaint to us, and  
7 I am sure to the water utilities - to the difference  
8 between the various pension rebates.  
9  
10 If we are actually looking at standardising the cost  
11 structures, then standardising the pension rebate across  
12 the water utilities would be really beneficial, so that  
13 when someone retires from Sydney to the Central Coast, or  
14 to Nelson Bay, they are not suddenly saying, "Well, why  
15 aren't I getting the same pension rebate", ringing us up,  
16 ringing the companies up and carrying on about it.  
17  
18 I don't think a personal communication from the NSW  
19 Office of Water, this month, or in June, this year,  
20 adequately satisfies what IPART actually called for in the  
21 review of hard water prices, or a review of the pension  
22 rebates, which the Department of Water said at that time  
23 they were undertaking and which has just floated in the  
24 ether without any formal consultation, without any  
25 publication of discussion papers. I would humbly suggest  
26 that that is actually not a review. That might be someone  
27 in the Department just having a look at it, but it's not  
28 a review of the pension rebates.  
29  
30 The other thing I would like to say is that we really welcome the  
31 note on page 14 (of the Discussion Paper) about water service  
32 charges, and, therefore, we assume sewerage charges, for  
33 those residential properties that are anomalies - so, the  
34 residential parks and the retirement villages. We think it  
35 is a very sensible approach to get whatever the final  
36 agreement is, put it out across the majority of places  
37 where people live, and then deal with the anomalies that  
38 residential parks and retirement villages throw up.  
39  
40 I will just go back to one final thing on the pension  
41 rebate. IPART played a major role in calling on the State  
42 government and the State government responded, to have the  
43 pension rebate in electricity extended to healthcare card  
44 holders. I think this is an opportunity, in this review,  
45 to make a similar call, so that again there is some equity  
46 there between those people that are dependent on a  
47 government income, who might own a home and are therefore

1 paying for the water.  
2  
3 The final point I want to make is one of the things  
4 that we have raised consistently over the last six years in  
5 the our division to the Sydney Water pricing determination  
6 and the Hunter water pricing determination, and now the  
7 Wyong members will properly do the same in their price  
8 determination, and that is the access to assistance for the  
9 people that are paying for water usage. We are hearing  
10 water usage is actually the major component of the bill,  
11 and certainly the sooner the utilities look at and at least  
12 rule out, or have a look at a proper business case, and do  
13 what was done in Victoria, and that is individually meter  
14 every property so that assistance can be more tightly  
15 focussed on those who are paying the bill.  
16  
17 At the moment tenants are just excluded from not all  
18 but most assistance, yet they are the ones paying a bill on  
19 a lot of those premises and in fact we know demographically  
20 that the most disadvantaged in our society are those who  
21 are renting premises.  
22  
23 With those points, in general principle, we think that  
24 equity is really important, and we would look forward to an  
25 approach where people know where they stand, and there are  
26 not too many variations, depending on the nature of the  
27 dwelling, other than what is appropriate.  
28  
29 THE CHAIRMAN: Thank you very much for reminding us  
30 about the pensioner rebate. It is an important point.  
31  
32 Are there any further comments?  
33  
34 MS KNIGHT: Just on behalf of the councils, we, too,  
35 recognise the need particularly to review the pension  
36 rebate. Maybe that is not entirely within IPART's  
37 jurisdiction, but it is something that is a significant  
38 source of inequity, particularly for the Central Coast  
39 customers as opposed to Sydney and the Hunter.  
40  
41 With the water service charge issue, both the "do  
42 nothing option" and option 2 are very similar for the  
43 councils. We don't have the charging systems that are  
44 current in place for Sydney and the Hunter. A dwelling is  
45 a dwelling is a dwelling, and that has, you know, a lot to  
46 say for simplicity in terms of billing and reducing the  
47 costs to everybody.

1  
2 Again, like for sewerage, we don't have the data that  
3 suggests that different customer groups get a different  
4 level of service for what they pay. I completely  
5 acknowledge the comments around the table, but I think  
6 where you draw the line between what is a multi-premise and  
7 what is a single house, a townhouse or a villa - a lot are  
8 multi-premised properties on the Central Coast. We don't  
9 have a lot of huge complexes, I suppose, and is a duplex or  
10 three villas in a row, each with their own little garden,  
11 counted as being a reduced proportion for a villa.

12  
13 I think that finding a balance between simplicity and  
14 treating a dwelling that does have the ability to vary  
15 their bill based on their usage, there is a lot to be said  
16 for maintaining a representative charge on each dwelling.

17  
18 MR MARTIN: Thank you, Mr Chairman. In relation to this,  
19 we don't have a strong preference for any of the options  
20 for reform. The point has been made about the transitional  
21 issues, particularly as the percentage of the multiple  
22 dwelling premises increase.

23  
24 The current problem which exists with the common  
25 meters is that it really does dilute the resource  
26 conservation signal for individual customers. Certainly if  
27 you reduce your water use, you may not necessarily see  
28 a great reward for that in your bill, if other people who  
29 are on that meter are not taking similar steps.

30  
31 I think, once again, it reflects the importance of us  
32 moving towards individual metering, and I think it would be  
33 helpful for the Tribunal in its deliberations and in its  
34 final report to stress the importance of further  
35 improvements in that area. I am encouraged that  
36 Sydney Water are going down that path and I would like to  
37 see the other utilities pursuing similar issues.

38  
39 MR DODDS: EWON got charged with reviewing the  
40 Department of Housing's water pricing policy when they  
41 changed the Public Housing Act, and we discharged that  
42 responsibility after a few years by employing some consultants.

43  
44 One of the reports that came back to us was from the  
45 Department of Housing settlements where there were no  
46 meters. It was in fact disrupting communities because  
47 there were groups of residents who were trying to do the

1 right thing and save water and, at the end of the year,  
2 because the Department of Housing was billing on  
3 a state-average and, bang, all of a sudden their water bill  
4 went up despite really big efforts to reduce the  
5 consumption. In fact, it ended up, it was reported to us  
6 in one housing estate, where there were actually a number  
7 of neighbourhood disputes, so it is a real critical issue  
8 that can have some very negative outcomes.

9  
10 MR O'DEA: Thank you, Mr Chairman. Ingrid Jackson made  
11 the point about the cost to flats and units being lower. I  
12 think it is timely to remind ourselves of the diagram that  
13 Amanda put up a little earlier, which showed that  
14 85 per cent of the costs for water are fixed, yet we are  
15 recovering 80 per cent of the revenue through variable  
16 charges. The fact that houses use more water, they are  
17 paying significantly more, even with the standard service  
18 charge, than what units will pay anyhow.

19  
20 The simple point is that water prices across the four  
21 utilities are roughly \$2.00 a kilolitre, yet the marginal  
22 cost for providing an extra kilolitre of water is between  
23 20 and 40 cents. So, for every kilolitre of water a house  
24 uses more than a flat or unit, it is contributing at least  
25 \$1.60 more to the fixed costs than flats are.

26  
27 THE CHAIRMAN: Are there any further comments from  
28 people at the table?

29  
30 I guess what I get out of all of this is that there is  
31 a lot of support for the idea that the various types of  
32 multi-unit properties should be charged consistently.  
33 There is a lot of support around the table that individual  
34 metering should be encouraged wherever it can be. There  
35 probably is support for the idea that there are no strong  
36 differences on grounds of cost between units and houses.  
37 There is some concern about equity implications and moving  
38 towards common charges, but perhaps, on balance, less than  
39 for sewerage. That is probably what I get out of it.

40  
41 MR YOUNG: I would say the other things is the common  
42 discussion about the transitional issue. That is something  
43 which would be a consideration by IPART, and then move to  
44 that area, I think.

45  
46 MS KRIEGER: Can I ask a question of Sydney Water on this  
47 question of individual metering. You referred to the fact



1 that you were installing individual metering in new  
2 developments to a greater extent.

3  
4 MR YOUNG: What I have asked for is to look at how we  
5 could move to mandating individual meters in new  
6 developments. It becomes much more difficult for existing  
7 blocks of units to do that, because that is the  
8 configuration that is designed at that time, but what would  
9 be involved for us to move so that we could, from a certain  
10 date, have that as part of the standards for the building  
11 so that there would be individual water meters.

12  
13 There are some issues around that because you also  
14 need to go to this area of automatic meter readings. It  
15 can be done in cabling to a set point where you read all  
16 the water meters, because you don't want access to all of  
17 the units and apartments.

18  
19 The other compounding issue we are looking at, and  
20 this is interesting, is energy conservation may mean for  
21 some buildings that they are moving away from individual  
22 water heating per unit. They are trying to get a better  
23 energy conservation, so they are moving towards more  
24 centralised heating for a unit. That creates another layer  
25 where you would have to meter the cold water or the hot  
26 water - or you simply meter the cold water, I suspect - and  
27 use that as a proxy, at least, as a symbol to people of  
28 what they are using. So you do want them to design  
29 buildings to minimise the amount of energy looking to the  
30 future, but we also want to get that symbol there for  
31 people to see that they are reading the usage pattern for  
32 water as well.

33  
34 MS KRIEGER: I take it from what you say that, in older  
35 existing buildings that only have a single a meter,  
36 retrofitting individual metering is prohibitively expensive  
37 or very expensive?

38  
39 MR YOUNG: It is very expensive. That is not to say that  
40 the technology of the future will not solve that problem.  
41 At the moment, it would involve considering the individual  
42 cabling. The water meter would be designed to be under the  
43 sink. It would probably to come in under the sink or  
44 somewhere in kitchen area. There would be a spot where you  
45 could pick that a meter would go in, but that would be  
46 taken up in the design of a unit when it is first put  
47 together. Of course, that can be taken into account in new

1 blocks of units, but it becomes a lot more complex to  
2 retrofit existing buildings.

3  
4 THE ACTING CHAIRMAN: Would anyone sitting in the  
5 audience like to make a comment or ask a question at this point?

6  
7 MS J GARLICK: Yes, Mr Chairman. I would like to query  
8 the cost of water to a block of units and a household. Why  
9 is there a difference between them? The gentleman from  
10 IPART said that these households are paying something like  
11 \$2 a kilolitre and we are paying 40 cents. I have another  
12 question if I can ask that as well. There is also a  
13 principle involved here. If you say your service charge at  
14 the moment is very low, that is great, but remember in the  
15 future that it will grow.

16  
17 MR O'DEA: Thank you for making that point. Maybe  
18 I wasn't clear, and I apologise for that. What we were  
19 saying was that houses, on average, use more water than  
20 flats do. We are saying that we are only recovering 20 per  
21 cent of the costs through service charges. Houses use more  
22 water than flats and units. The cost of providing another  
23 kilolitre of water to a flat or to a house is in the order  
24 of 20 to 40 cents, depending on the utility. If the price  
25 is \$2, what we are saying is that, for every kilolitre of  
26 water that a house uses more than a unit, it is  
27 contributing an extra \$1.60 to the fixed costs. The cost  
28 of providing the water to houses and units is the same; it  
29 is just that, because we are over-recovering costs through  
30 water usage charges, it is a very good reason for that  
31 single impact to --

32  
33 MS GARLICK: Yes, I understand that. In our block we have  
34 18 blocks, so you are getting 18 service charges, which in  
35 Sydney Water is a nice reduction, so we get a percentage of  
36 that. But we cannot change the amount of water we use  
37 because we are not billed for it; our block is being billed  
38 for it. We do not see how much water we use. There are  
39 18 blocks. No matter what the guy next door to me uses,  
40 and if I am catching the water from my shower to try and  
41 preserve it, it is not helping; it doesn't help my bill.  
42 It is helping Sydney Water.

43  
44 If we can't see that, we can't alter it. If you are  
45 going to now suddenly put this up as a percentage or keep  
46 it as a set fee all the way through, there is no way it  
47 will help us at all. I mean, that is a service issue and

1 we are not talking about the costs of the water now, but  
2 I just feel there is a disadvantage there.

3  
4 MR O'DEA: The situation that you have mentioned is real.  
5 It is hard for strata owners who don't have individual  
6 metering to do it. You can put it on, but I think from the  
7 data we have from Sydney Water it is in the order of \$500.

8  
9 MS GARLICK: We could not afford it.

10  
11 MR O'DEA: No, no, but it is a catch-22.

12  
13 MS GARLICK: I agree that, in the future, that is a great  
14 idea because it can be built into a building, but it is  
15 currently impossible.

16  
17 THE ACTING CHAIRMAN: Thank you very much for that  
18 point. Are there any further questions of comments?

19  
20 MS C HODGE: With the buildings, as the previous speaker  
21 was saying, in terms of equity, we have people who are  
22 renting privately who are not the account holder, so their  
23 access to rebates is not as high. If they are not  
24 individually metered, then they have no ability to reduce  
25 their rent by reducing their consumption. I wanted to  
26 raise the case for the Tribunal to consider where those  
27 tenants may attract higher rent. Because of the costs, the  
28 owners of the property do apply fixed charges. Those  
29 people are in a very difficult position. They will have  
30 increased costs and will have no ability to offset them.

31  
32 THE ACTING CHAIRMAN: I think that is an important  
33 point and thank you for drawing it to our attention.

34  
35 Are there any further comments?

36  
37 MR MANGION: If there were to be price increases,  
38 depending on the options chosen, we welcome the fact that  
39 they will be transitional. That is very important for  
40 pensioners, as we mentioned, in some areas, and especially  
41 for low income household who are not entitled to rebates,  
42 as Chris Dodds mentioned before.

43  
44 It is important to note that, when it comes to the  
45 increases, the issue of equity, for example, is blown out  
46 of the water because of the issue with the rebate, where we  
47 have one structure for local water utilities. There is one

1 for Hunter Water and another one again for Sydney Water.  
2 The fact that local water utilities' rebates have been  
3 stuck at \$175 for nigh on 20 years or so is a major concern  
4 for our members and constituents.

5  
6 So to just the inequities in general, what we have  
7 advocated and what we would like to see proposed is, along  
8 with the review, that the model for Sydney Water be taken  
9 because, acting as a percentage, it attempts to negate  
10 price shock quite significantly as compared with just the  
11 simple round figure money rebate, which is not necessarily  
12 fixed to price increases.

13  
14 THE ACTING CHAIRMAN: Are there any further comments  
15 on water service charges? I think we have probably taken it  
16 as far as we can. I wonder whether we could cover the  
17 non-residential sewerage usage charge before we break for  
18 lunch.

19  
20 Session 3: Non-residential charges: sewerage usage charge

21  
22 MR O'DEA: Thank you, Mr Chairman. We are moving on to  
23 non-residential sewerage usage charges. There will be two  
24 other sections after this dealing with non-residential  
25 charges where we will look at the sewerage service charge  
26 and then the water service charge.

27  
28 We will bring the current price structures up on the  
29 screen. You can see significant differences between Sydney  
30 Water, Hunter Water and Gosford and Wyong for their service  
31 charges. It is a little misleading in that both of the  
32 councils have minimum charges for non-residential  
33 properties, which equates to the service charge for a  
34 house.

35  
36 What is of interest and what raises our concern about  
37 the cost reflectivity or fairness of the current price  
38 structure is this: Sydney Water's usage charge is \$1.49  
39 and Hunter's usage charge is 65 cents. For Sydney Water,  
40 75 per cent of its effluent is primary treatment. Hunter  
41 Water has 50 per cent primary treatment and 50 per cent  
42 secondary treatment. We would actually expect to see  
43 prices in reverse. So we were concerned about the  
44 anomalies that are showing up in that.

45  
46 When we put the price structure that we just described  
47 into a graphical form, we can see that Hunter starts off

1 with a fairly large price, assuming it is a 100 per cent  
2 discharge factor. But most of the utilities cross over  
3 around the 1,500 kilolitre discharge mark other than Wyong  
4 Council, which is below the other utilities for the whole  
5 part.

6  
7 One of the interesting things with water or one of the  
8 assumptions we make with water is that we have a network.  
9 If I can just use Sydney as an example, water that comes  
10 out of the dams can be used at Manly or Menangle. If  
11 someone at Manly uses 1 kilolitre less in a year, it means  
12 someone in Menangle, in that growth area, can use one  
13 kilolitre of water more.

14  
15 However, that situation does not apply with sewerage.  
16 The problem with sewerage is that, in Sydney's case, we  
17 have over 20 independent unconnected sewerage networks.  
18 Where in water 1 kilolitre to Manly equals 1 kilolitre more  
19 in Menangle; whereas, 1 kilolitre less discharge in Manly  
20 for sewage has no impact on sewerage discharges in growth  
21 areas where there could be capacity constraints.

22  
23 As to the point of using long run marginal cost signal  
24 usage, the Tribunal has for very good reasons used that for  
25 water, but we do not think it applies to sewerage. What we  
26 are saying is that the Secretariat, in doing its research,  
27 thinks there is a case to be made for setting the sewerage  
28 usage to short run marginal costs.

29  
30 Our work with the four utilities has indicated that  
31 that short run marginal cost is in the order of 20 to  
32 30 cents per kilolitre. We think that is consistent with  
33 published data that we have seen from other areas. It  
34 leads us to the consideration of what we think are the  
35 issues; that is, that the current balance between  
36 non-residential sewerage usage charges and service charges  
37 is not cost reflective.

38  
39 We think that there is an unfortunate reverse signal,  
40 if you will, towards on-site recycling, which is  
41 inefficient. If we use simple numbers, Sydney Water's  
42 sewerage usage charge is \$1.49. The actual cost of  
43 treating 1 kilolitre of effluent is in the order of  
44 30 cents. Businesses are currently getting a signal that  
45 says, "I can do on-site recycling for a \$1. It is costing  
46 me \$1.49." So the price signal works for them and they do  
47 on-site recycling, but that reduces the company's costs

1 from \$1.49 to \$1 per kilolitre. However, Sydney Water's  
2 revenue falls from \$1.49 to nothing, its costs only fall by  
3 30 cents. The trouble is that means there is \$1.29 that  
4 has to be shared by the rest of community.

5  
6 What we are seeing is an increase in costs where we  
7 are sending an inefficient price signal. Society is not  
8 treating effluent at the cheapest possible cost. If we  
9 allow this to continue, in the short run we will not see a  
10 great impact, but, in the longer run, with more and more  
11 on-site recycling being done, the whole of the customer  
12 base will end up paying more for sewerage charges.

13  
14 The submissions that we have received were generally  
15 supportive of short run marginal cost with a couple of  
16 exceptions. The Total Environment Centre wanted high usage  
17 prices. Our reading of their submission was around the  
18 idea of sending a price signal predominantly around water  
19 but around conservation of water.

20  
21 The Property Council similarly expressed a preference  
22 for a higher usage charge, but that was to reflect much of  
23 the problem that we have already described. A number of  
24 their members have already invested heavily in on-site  
25 recycling.

26  
27 Everyone expressed concern about the impacts on  
28 customers. Any move from \$1.49 down to 30 cents will have  
29 very broad implications for people if it is not done in a  
30 measured fashion.

31  
32 The pros and cons, as we see it, are: setting the  
33 usage price at short run marginal cost tends to minimise  
34 the total cost to society of treating effluent. However,  
35 if the tribunal were to go down that path and not manage it  
36 properly, we would see significant price shocks. One of  
37 the questions that we will come up with is: how do we  
38 manage that?

39  
40 That raises some very interesting questions that we  
41 would like to explore during the session. The first  
42 question is: what is the appropriate method for setting  
43 non-residential charges? This is what we have just  
44 described, which is short run marginal cost, or do you have  
45 some other option? Then there is the more vexed question  
46 of how should the change in the sewerage usage revenue be  
47 recovered? Should it only be recovered from

1 non-residential customers - that is as the sewerage usage  
2 charge goes down, the sewerage service charge rises to  
3 equate the same revenue - or should it be recovered across  
4 the whole of the customer base; so should it be recovered  
5 from residential and non-residential customers? We are  
6 happy to hear any other options that you may have.  
7  
8 THE ACTING CHAIRMAN: Thank you very much, Gerard.  
9 Are there any questions and comments on these issues?  
10  
11 MR WILSON: I will kick off. This is a particularly  
12 challenging set of issues and it is difficult to talk about  
13 in very general terms. We really do need to put some  
14 numbers around it. Sydney Water does that in its pricing  
15 submission for, which we are happy to do. Our pricing  
16 submission is due for September and I think that will help,  
17 but I can really only talk in some fairly general terms.  
18  
19 We do not have a fundamental objection to the sort of  
20 approach that Gerard is talking about; but on the  
21 flip-side, nor do we see an anomaly out there that needs to  
22 be fixed tomorrow. While in concept there might be some  
23 incentive for on-site recycling, we have not observed a  
24 level of on-site recycling that causes us any concern. In  
25 fact, Sydney Water has been trying to encourage recycling.  
26 Our operating licence asks us to promote, foster and  
27 encourage recycling. While we can accept in concept the  
28 analysis, we are not seeing what we believe at this stage  
29 are any dramatic inefficiencies. We are happy to work  
30 through these issues, though.  
31  
32 What is key for us in the current environment is the  
33 who-pays issue and the customer impacts. To move from a  
34 charge of \$1.49 down to a lower level means that some  
35 customers will be paying less and other customers have to  
36 pay more. In very broad terms the non-residential  
37 customers who would pay less would be big effluent emitters  
38 and the ones who would pay more through service charges  
39 would be smaller customers and smaller non-residential  
40 customers. This is something we think we need to work  
41 through very carefully to see the direction and at what  
42 pace the transition can really be managed without creating  
43 unacceptable customer impact.  
44  
45 One area where we think we can move, as Gerard showed  
46 on the first slide, is that currently we don't have  
47 volumetric charges for the non-residential sector until you

1 reach a 500-kilolitre discharge threshold. We do see that  
2 as an anomaly because a 20mm non-residential customer can  
3 emit 499 kilolitres and pay a standard sewerage service  
4 charge; whereas, a unit which might emit 150 kilolitres  
5 will pay that same charge.  
6  
7 We think there is an argument for bringing down the  
8 threshold at which volumetric charges apply to something  
9 that more balances the residential and non-residential  
10 sectors. That will bring more non-residential customers  
11 into the net and may take some of the pressure off the  
12 change in the non-residential volumetric price. As to how  
13 much, we really need to keep modelling and we can present  
14 that to you in our submission.  
15  
16 Because of the composition of who pays that  
17 non-residential charge of \$1.49 now and who would have to  
18 pay it if it were to change, we think it is a case of  
19 hasten slowly and we will be working carefully through  
20 those customer impacts.  
21  
22 MR MARTIN: In relation to the issue of setting prices on  
23 the short run marginal cost, we have some serious  
24 reservations about that. I note the argument was put to  
25 the effect that an extra litre of effluent treated in Manly  
26 does not take pressure off augmentation inland. But we  
27 also see that the usage charges for sewerage can have an  
28 important demand management role in terms of reducing the  
29 industrial and commercial demand for water.  
30  
31 Also reducing pressure on augmentation supply or even  
32 augmentation of sewerage treatment is not the only role  
33 that sends a resource conservation signal. It is also  
34 important to note that disposal of effluent carries with it  
35 a significant component of cost through receiving waters  
36 and also the costs of applying that treatment. So we see  
37 that reducing the amount of effluent to be treated has  
38 important environmental benefits and those benefits ought  
39 to be recognised in pricing arrangements.  
40  
41 With regard to those customers who have invested in  
42 on-site recycling, they are providing environmental  
43 benefits in terms of reducing the pressure of disposing of  
44 effluent, particularly the environmental impact on  
45 receiving waters, and that benefit ought to be acknowledged  
46 as well.  
47

1 THE ACTING CHAIRMAN: Thank you.  
2  
3 MS KINER: In terms of what Sydney Water said, we would  
4 welcome more information on exactly what the data will look  
5 like once it comes out later in September because it would  
6 help in determining what the real effects would be.  
7 I think it is important to note that, in the commercial  
8 property sector, the key driver is environmentally  
9 sustainable technology. For premium and main-grade  
10 buildings, it is quite important to consider when designing  
11 for Green Star star ratings, and in terms of the magnitude  
12 of disclosure seeing your neighbour's ratings as well, it  
13 is important to consider the rating of the building and all  
14 of that has to be taken into consideration.  
15  
16 I think that any further work in this particular area  
17 needs to make sure that there is not a disincentive for the  
18 commercial building sector to continue to innovate and  
19 produce the sorts of technology that it has.  
20  
21 THE ACTING CHAIRMAN: Thank you.  
22  
23 MR AMOS: I wish to make a few comments. Basically we  
24 agree with the proposal that probably long run marginal  
25 costs is not the right process. Like Sydney, we have  
26 18 different sewerage systems; it is a highly disaggregated  
27 system. We probably do not face the same issues as Sydney  
28 because we have a lower sewer usage charge and we don't  
29 have the 500-kilolitre threshold. Nonetheless, our current  
30 facility usage charge is 65 cents, so it is double the long  
31 run marginal cost that you are talking about there. So  
32 there will be transitioning issues that we would need to  
33 take into account as well.  
34  
35 MS KNIGHT: The councils have a fairly similar position.  
36 We support the economic theory that is behind setting a  
37 lower usage charge and that is certainly in line with the  
38 variable costs that, in general, the councils incur from  
39 treating sewerage. I think that the biggest impact will be  
40 around the transition and how the revenues not recovered by  
41 the usage charge would be spread. That is where we are  
42 reasonably concerned because there seems to be a fair  
43 amount of revenue that needs to be spread over other  
44 customers. Therefore the transitional arrangements around  
45 that are what the councils are concerned about.  
46  
47 THE ACTING CHAIRMAN: I guess I am hearing a division of

1 views, if you like, between those who are saying that, in  
2 principle, we should move to short run marginal costs and  
3 those who are concerned about, I guess, the environmental  
4 consequences and the consequences of on-site recycling and  
5 the distribution. So it seems a bit split. Are there any  
6 further thoughts on that issue?  
7  
8 MR YOUNG: I think that is a good summary of where we are  
9 at. I think this will come out in the wash when we look at  
10 the modelling and what is involved in the transition.  
11 I think, particularly in Sydney's case it will be a big  
12 transition issue from where we are to the light on the hill  
13 that the Tribunal is looking at. I suspect when we look at  
14 the issues, it will take some time to move to the  
15 Tribunal's optimum levels. So I suspect that, for Sydney  
16 Water and the other cases, the signal is still going out  
17 there. The recycling will be there for some time. It will  
18 take a number of price reviews to get where you want to be.  
19 It will be discussed at many more tribunal hearings.  
20  
21 THE ACTING CHAIRMAN: By our successors.  
22  
23 MR YOUNG: Yes, that's right.  
24  
25 MR MARTIN: Mr Chairman, I would need to see some detailed  
26 analysis and assessment of how this move could impact upon  
27 demand management and upon on-site recycling before I could  
28 be more comfortable with it than I currently am.  
29  
30 MS JACKSON: As the representative of the Owners  
31 Corporation Network, I should say that we were not aware  
32 there was some potential for what is written here on your  
33 slide; namely, residential customers' sewerage service  
34 charges changing as a result of non-residential sewerage  
35 users' charges changing. I am therefore not able to  
36 respond in a considered way, but that is not to say we  
37 would not have a view and may put that forward in the  
38 future.  
39  
40 MR WILSON: Could I add that, in our modelling for the  
41 price submission, Sydney Water has almost adopted as a  
42 principle that changes to the non-residential charging  
43 should not flow across directly to the residential sector.  
44 Now, IPART will examine that, but we don't think as a  
45 matter of principle that changes on this side of themselves  
46 should flow to the residential sector.  
47

1 MS KRIEGER: May I ask a question of the Property Council.  
2 The question of on-site recycling, as I understand it, is  
3 not just an issue of the cost of on-site recycling itself,  
4 but it is traded off against the commercial advantages of a  
5 higher NABERS rating and so forth and the higher rental  
6 stream that that will generate; is that right?  
7  
8 MS KINER: That is generally correct, I believe.  
9  
10 MS KRIEGER: So it is quite possible that the higher  
11 rental stream that you get with a higher star rating would  
12 far outweigh the cost of on-site recycling?  
13  
14 MS KINER: I am not entirely sure that there is that  
15 immediate connection. I suppose where those buildings tend  
16 to have an advantage is not so much that they generate high  
17 rent; it is just that they are easier to gain tenants. So  
18 there is a price quality and those buildings tend to be  
19 rented out quicker than a building that might not have the  
20 same ratings.  
21  
22 THE CHAIRMAN: I guess what I am hearing from Sydney  
23 Water is that the small move in the direction towards a  
24 marginal cost might be acceptable, involving more people  
25 paying the sewerage uses charge and possibly another  
26 sewerage uses charge - that seems to be what I am hearing?  
27  
28 MR YOUNG: I think that is a fair summary.  
29  
30 THE CHAIRMAN: As a likely for Sydney Water.  
31  
32 MR YOUNG: Yes.  
33  
34 THE CHAIRMAN: Are there comments from people sitting  
35 in the audience at the back of the room? No.  
36  
37 Are there any further comments from people at the  
38 table? No.  
39  
40 Okay. We will now break for lunch.  
41  
42 LUNCHEON ADJOURNMENT  
43  
44  
45  
46  
47

1 UPON RESUMPTION:  
2  
3 Session 4: Non-residential charges: sewerage service  
4 charge  
5  
6 THE CHAIRMAN: Ladies and gentlemen, we are now  
7 resuming for the afternoon session on non-residential sewerage  
8 service charges.  
9  
10 MR O'DEA: Thank you, Mr Chairman. We will start this  
11 section on non-residential sewerage service charges by  
12 having a look at what the current situation across the four  
13 utilities is.  
14  
15 What we have here is a single stand-alone premises,  
16 like the doctor surgery with a 20mm connection. Next, we  
17 have a set of strata shops or factory units and then we  
18 have a single-owner set of shops, factory units, the  
19 difference being that these are strata and this has  
20 a single owner who rents out. Essentially, they are  
21 identical floor spaces. Here we have an industrial site.  
22 The shops and factory units have a 40mm meter, and so does  
23 the single owner, which we may describe as a shopping  
24 centre or an arcade, and so does the industrial site.  
25  
26 What these properties are paying is a percentage of  
27 the 20mm charge that a doctor's surgery would pay, which  
28 we'll have a look at now. In Sydney Water's case, the  
29 strata shops or factory units are all paying a standard  
30 20mm service charge. In Sydney Water's case, the single  
31 owner, or the arcade or the shopping centre is paying  
32 between 10 to 40 per cent of those charges. The industrial  
33 sites are paying the same meter-base charges as a single  
34 owner.  
35  
36 I think we need to explain some of these differences.  
37 Currently there is an anomaly in Sydney Water's price  
38 structures that sees mixed developments - where we have  
39 a number of shops beneath residential properties - which  
40 has presented some metering issues for Sydney Water.  
41 Whilst each of the residents are paying a standard service  
42 charge, you may have 10, 15 or 20 shops below that and they  
43 are only paying a single service charge, which is roughly  
44 \$500 between all 10, 15 or 20 shops.  
45  
46 Hunter Water is the stand-out where strata shops or  
47 factory units pay the same service charge, which is

1 a meter-based charge, as to single properties. As you can  
2 see for Sydney Water, Gosford and Wyong, stratas are all  
3 paying the standard charge.

4  
5 This presents us with a couple of problems. It is not  
6 possible, or we find it hard to see how a single owner  
7 should be paying 40 per cent of what a strataed shop is.  
8 They could be identical shops - a newsagent, a dress store  
9 or a bakery. One of the options that we've put up in the  
10 discussion paper was that we charge these single owner  
11 shops or units on the same basis as residential flats do,  
12 and that is to charge for the standard services charge.

13  
14 As some of the submissions rightly point out, that may  
15 make it equitable between shops, arcades, shopping centres  
16 and stratas, but it brings up another problem, and that is  
17 that the shopping centres would then be paying two and  
18 a half times as much as an industrial site would with the  
19 same meter size. So we have a bit of a dilemma. We  
20 believe that it's unfair in its current form, but we are  
21 also presented with some challenges if we move to  
22 a standard service charge. We will discuss some of the  
23 options we are looking at for the problems as we move on.

24  
25 In the submissions that we received, the shopping  
26 centre council and the property council were not supportive  
27 of option 2, because of the large impacts on their  
28 customers. They very carefully made the point, if we go  
29 back to the slide, that it may become equitable between  
30 these two categories, but it is not equitable with  
31 industrial customers. They make the point that a shopping  
32 centre would have the same meter size as the industrial  
33 site, but would be paying two and a half times the charges.

34  
35 We noted that the business council and the utilities  
36 were supportive of cost reflective pricing, but would like  
37 to see more impact data. The utilities also noted the  
38 additional costs of collecting single owner data for  
39 non-residential customers. Of course, everyone was  
40 concerned about managing customer impacts.

41  
42 As to the pros and cons of the options, as we have  
43 said, the status quo is not cost reflective and there are  
44 significant disadvantages to customer groups at the moment,  
45 in particular, those in strata shops or factory units.

46  
47 The standard service charge, which we had described as

1 option 2, is cost reflective for stand-alone and strata  
2 units of equivalent sizes, but it is certainly not cost  
3 reflective across industrial customers.

4  
5 A meter base charge, which is option 3, is cost  
6 reflective, yet the problem with that is that it is  
7 incompatible with what we've taken to be the mood of the  
8 round table, and that is towards standard service charges  
9 for residential properties. The last option, which is  
10 option 4, is difficult in both ways, and we don't intend to  
11 explore that much further for non-residential properties.

12  
13 The questions for us to consider in this section are:  
14 is it necessary for the same price structure for  
15 residential or non-residential customers within the same  
16 utility? What we mean there is perhaps there is a case for  
17 having a standard service charge for residential customers,  
18 but a meter-based charge for non-residential customers with  
19 a high level allocation of the costs between residential  
20 and non-residential customers.

21  
22 We would like to know what impact analysis you think  
23 is necessary. Should we be modelling all the options or  
24 should we just be modelling the standard service charge or  
25 a meter-based charge?

26  
27 A number of people were concerned about the impacts,  
28 and the utilities don't have data at the moment on the  
29 number of shops in shopping centres or arcades that are  
30 single-owner properties. One option may be to have side  
31 constraints on price limits - that is, to have a fixed  
32 percentage increase that those customers whose bills are  
33 going to rise will be limited to each year. We would like  
34 to know whether you think this is sufficient to cushion the  
35 transitional impacts.

36  
37 We are also keen to hear what other transitional  
38 arrangements you think should be considered.

39  
40 THE CHAIRMAN: Thank you very much. We would be  
41 interested in comments on these issues. I think they  
42 are very complex and we would be grateful for your  
43 assistance in understanding.

44  
45 MR WILSON: Even working in the area, I must say I find  
46 this quite complex.

47

1 I will only be very broad and then hand over to  
2 Diane Nolder, who has taken Kevin Young's place. I think  
3 one of the things that Gerard points out is that we don't  
4 have a lot of information on the composition of shops and  
5 single-owner complexes, and that is one of the things that  
6 makes it difficult to be in any way definitive. It is not  
7 only a question of numbers, but it goes back to, in trying  
8 to answer that first question, what services are they  
9 really receiving?  
10  
11 If a shop had much the same characteristics as  
12 a residential dwelling within a complex, then it would be  
13 hard to sustain an argument where they should have  
14 different amounts. If they have a toilet service and they  
15 discharged 150 kilolitres a year, and they had certain  
16 amount of water consumption, we know that a lot of those  
17 units aren't that, but we don't have a real database.  
18  
19 That is why I think it is probably not necessary to  
20 have exactly the same charging structure, but more work  
21 required on the information base to determine how far you  
22 should go towards a single structure.  
23  
24 MS NOLDER: I guess it depends where you draw the line.  
25 You mentioned mixed developments, where you have  
26 a residential and a non-residential component. We know how  
27 many units there are in the residential components of the  
28 building, but we have no data on non-residential  
29 components. At the moment, for waste water we apply one  
30 standard charge to that waste water, and we don't have the  
31 data to model this or to understand the impacts on our  
32 customers.  
33  
34 What we do worry about in Sydney Water is that  
35 property types continue to proliferate and the lines that  
36 distinguish between different property types are getting  
37 harder and harder. Within shopping centres we've got  
38 strataed ATMs, and we have areas being rented out which we  
39 don't know about. I guess what we are worrying about is  
40 our ability to have an efficient understandable pricing  
41 structure that would cater for every type of usage. We  
42 still rely substantially on the legal property title as do  
43 the other utilities in order to bill our customers.  
44  
45 THE CHAIRMAN: Thank you.  
46  
47 MR AMOS: I probably can't add a great deal to that.

1 I agree that the difficulty for us as an agency is that the  
2 non-residential sector is not nearly as homogeneous as the  
3 residential sector, and it is really difficult to identify  
4 the sorts of things, whether they are toilet services,  
5 a hand basin, and in some cases it might be a common  
6 property asset - the toilet service and the hand basin. It  
7 is really hard to work that out.  
8  
9 Added to that, across that non-residential customer  
10 base we have a complex array of meter sizes with different  
11 discharge factors and different usage levels. It's really  
12 hard to put all those three factors together, those three  
13 parameters together, and generalise about particular  
14 customer groups in the same way as you can about  
15 residential flats and units. It becomes very difficult to  
16 try and come up with some sort of generic approach to that.  
17  
18 We have done some analysis on the IPART proposal and  
19 it does mean, in the multi-occupancy non-residential  
20 properties, a fairly large number of them would probably be  
21 captured by a minimum charge concept. Whereas, in the  
22 stand-alone properties, most of them would still be  
23 meter-charge type arrangements.  
24  
25 At a very broad level, what we have found is that it  
26 particularly affects properties with discharge factors of  
27 50 per cent or less - they would be driven towards meter  
28 size - or where there's a high number of subunit properties  
29 relative to the meter size. So we are finding, for  
30 example, that if there are more than two subunit properties  
31 for a 20mm common meter or master meter, then the  
32 minimum size is going to come into play and that goes up to  
33 perhaps more than 20 if you are looking at an 80mm meter.  
34  
35 Again, it's just really complex, and I think we have  
36 to really try and work out some good ways of assessing the  
37 impacts before we can move on.  
38  
39 THE CHAIRMAN: Are there any further comments?  
40  
41 MR NARDI: Mr Chairman, I will read the summary of our  
42 submission, which says:  
43  
44 In conclusion, we do not support the  
45 proposed pricing restructure. We do not  
46 believe it is fair or equitable. We also  
47 believe that significant additional work is



1 required before advancing any of the  
2 proposed options. Hence, at this stage we  
3 endorse option 1, 'do nothing'.  
4  
5 The main reason I have used that summary is,  
6 I suppose, our position remains. We think that the basis  
7 of the comparisons is trying to convert non-real property  
8 into property. The reason Sydney Water doesn't know what  
9 is in a Westfield shopping centre is because it is not real  
10 property; they are not properties, they are tenancies. It  
11 is trying to translate non-customers into customers. The  
12 concern really lies with that fundamental premise. Then,  
13 when you are looking into some of the options, we are  
14 concerned about how that then gets skewed.  
15  
16 In terms of the numbers, it is kind of the tail  
17 wagging the dog a bit; there are only about 6 per cent of  
18 shopping centres which are strata title. Unlike units, it  
19 is actually a declining feature of the retail sector. Less  
20 and less are being strata titled. The concern would be  
21 that 6 per cent is affecting the 94 per cent.  
22  
23 In terms of the options, we can only model option 2,  
24 which effectively becomes a tenant multiplier. The numbers  
25 just get absolutely massive and very hard - I don't have the  
26 data, it hasn't been provided for the review, but very hard  
27 to believe that would in any way be cost reflective. One of  
28 our member centres goes from about \$5,000 to \$330,000.  
29 Again, it is hard to believe how that is cost reflective or  
30 fair.  
31  
32 Option 3, I must confess, we think looks a bit more  
33 pure - a meter-based charge - but that is kind of what we  
34 already have. The question would be what multiples,  
35 adjustments out, or whatever it may be, may be applied to  
36 kind of come up with some kind of model that we can better  
37 understand before forming a view in terms of the next  
38 stage.  
39  
40 MS KINER: Very similar to the Shopping Centre Council,  
41 when we try to look at the impacts for commercial  
42 buildings, the only option we could really model was  
43 option 2. Similar to the comments already made, the  
44 changes didn't seem cost reflective or particularly  
45 equitable in the commercial office space.  
46  
47 When you compare the number of buildings out there and

1 their ownership structures, similarly, there aren't that  
2 many strata titled billings compared to the other  
3 occupancies, such as a single owner, and their scale is  
4 substantially different.  
5  
6 For example, the largest strata title commercial  
7 building in the Sydney CBD is roughly 13,000 square metres,  
8 whereas the largest flat line commercial building in the  
9 CBD is over 82,000 square metres. When you are looking at  
10 scale and the number of tenants that might exist within the  
11 buildings, it is very hard to apply a linear argument to  
12 them and then get an equitable response.  
13  
14 Also, option 3 seems to be, as Angus said, a purer way  
15 of modelling this, but in the absence of exactly what that  
16 kind of modelling will look like, it is very hard to form  
17 an opinion on that. In the absence of more data, neither  
18 option seems to be particularly available at this stage.  
19  
20 MS KNIGHT: I think the council's position is very similar  
21 to that of the other utilities. I guess the biggest  
22 challenge for us is not knowing the number of tenancies in  
23 some of these big non-strata properties, and not only doing  
24 a once-off count of those, but the fact that those numbers  
25 are reasonably dynamic - far more dynamic than residential  
26 flat buildings; quite often in large shopping centres, for  
27 example, those tenancy numbers are changing a lot - that  
28 would be significant in terms of timing cost if we were to  
29 be collecting that data. Again, we are finding that  
30 balance between cost reflective pricing and the increase  
31 costs associated with doing that.  
32  
33 THE CHAIRMAN: I am interested in inquiring whether there  
34 is interest in obtaining more data to study this further,  
35 and what additional data might be and how easy it is to  
36 collect it?  
37  
38 MS NOLDER: Jim, I can see you are looking at me. We can  
39 certainly do a case study. In fact, we have done one  
40 internally to try and understand what the impact would look  
41 like. I think that the information is broadly available to  
42 look at this. There is quite a lot of public information  
43 available and we could look further at it.  
44  
45 I might say that our case study showed that the price  
46 impacts on most shopping centres would be extremely high.  
47 We would anticipate that that would be reflected in any

1 data that we subsequently analyse.  
2  
3 What is missing is the definition of what is a shop  
4 and what is a customer. When we were looking at how this  
5 might impact, for instance, you might have a commercial  
6 building with a shop inside at the front, such as Sydney  
7 Water has at the moment. We have a cafeteria shop within  
8 our building. All other things aside, how might that be  
9 treated?  
10  
11 I think, if there is further work to be done, it needs  
12 to look at the fundamentals of how you define buildings and  
13 properties and customers and tenants.  
14  
15 MR O'DEA: Backing up what Di Nolder said, we don't have  
16 problems modelling option 2 much further. For the reasons  
17 that the Property Council and Shopping Centre Council said,  
18 there may be great inequities, but as far as the modelling  
19 for option 3 goes, that is much simpler, because we have  
20 meter-based data and I believe we have probably enough to  
21 go ahead and do that modelling now with the good work that  
22 Sydney Water has already done for the price structure.  
23  
24 I would check with Stuart and Di, but I don't think  
25 modelling option 3 is all that hard for us, is it?  
26  
27 MS NOLDER: With our customer base, we don't necessarily  
28 know that something is a shopping centre or a commercial  
29 building.  
30  
31 MR O'DEA: What I meant was you don't need to know that it  
32 is a shopping centre or a commercial building; you know  
33 that it has an address and a common meter out the front.  
34 We have all of that. What I am saying is we have all of  
35 that data now; is that not correct?  
36  
37 MS NOLDER: We have that data, yes.  
38  
39 THE CHAIRMAN: It seems to me we are in a position where  
40 most people around the table are saying this issue requires  
41 much further study before we can really take a position.  
42  
43 I am interested to see whether there is a contrary  
44 view, but that seems to be the clear message of this group:  
45 we do need to be careful and do some more work before we  
46 can really set a direction for future changes.  
47

1 MS CHADWICK: In terms of us undertaking that work,  
2 I guess I would be interested in the participants' views as  
3 to whether or not we should extend that work to all four  
4 options, if there are any other options, or, for example,  
5 if there are some options that are more favourable that we  
6 should be focusing on.  
7  
8 MR NARDI: Amanda, I think we would be interested in  
9 looking at an option 5. I suppose in our submission we  
10 have made it clear that option 2 is definitely not  
11 a preferred option from our point of view.  
12  
13 As I said in our submission, even doing the strata,  
14 non-strata comparison, the largest strata shopping centre  
15 has 67 tenants. The largest tenant in size is about  
16 roughly 8,000 square metres. Really from there, even if it  
17 was doing comparisons, it really ends there. So, option 2  
18 we wouldn't like to see proceed.  
19  
20 Option 3, again, is meter-based, but whether or not  
21 that moulds into an option 5, I think the key is I have got  
22 two members bills here in front of me - I know what all the  
23 meters are, one has seven and one has two, so I know what  
24 they currently pay but the question will always be around  
25 what basis really is the meter-base charged. They can't  
26 really pay a meter-based charge, but if option 3 was also  
27 a meter-based charge, it is whether or not we need to do  
28 further work and have a part of that process, obviously.  
29  
30 THE CHAIRMAN: Thank you. As to the things we were  
31 talking about before lunch, it was reasonably clear what  
32 the desirable directions of change would be. For instance,  
33 in this discussion, I am not sure where they should be  
34 going. Are there further comments?  
35  
36 MS KRIEGER: I am wondering whether any of the utilities  
37 has a view on problems that evolve if reform of the  
38 residential sector moves at a different pace from the  
39 non-residential sector? Does Sydney Water have a view on  
40 that, acknowledging that overall this is meant to be  
41 a revenue neutral exercise?  
42  
43 MR WILSON I guess the things that we would keep an eye  
44 on are the contributions in total of the sector. Going back  
45 right to our discussion at the beginning of the day, Gerard  
46 and Amanda pointed out that a lot of the costs of the water  
47 and sewerage networks are fixed, and the task is to

1 allocate those costs in a way that is equitable to all  
2 parties.  
3  
4 We think that there is not a fundamental problem with  
5 the split between the non-res and the res sectors  
6 currently, but we would not want to see any higher  
7 proportion on the residential sector. That comes back to  
8 a view of while costs are fixed, in engineering terms you  
9 start with what are the dry weather flows that are going  
10 into the system and what is the adjustment for wet weather  
11 flows.  
12

13 While costs are fixed, the underlying cost driver or  
14 allocator is probably dry weather flows, and currently the  
15 residential sector is bearing its share of the fixed costs  
16 based on its contribution to dry weather flows. So I think  
17 in reforming both sectors, we need to make sure that we are  
18 not unbalancing one. If we can do that, then we would be  
19 comfortable on equity grounds that we are not  
20 disadvantaging one sector relative to another. That is the  
21 sort of thing we would have to look at.  
22

23 MS CHADWICK: In terms of one way in which the issue  
24 could be taken forward, we have made very clear from the  
25 outset that any changes would be transitional, any changes  
26 that would happen in the residential sectors in terms of price  
27 structures there would of themselves be gradually  
28 introduced. So perhaps a period that is devoted to more  
29 detailed insight and analysis of some of the options in  
30 conjunction with the stakeholders would mean that sector  
31 was only maximum four years behind the price path structure  
32 for reform for the residential. That difference, that  
33 magnitude could be managed.  
34

35 MR AMOS: I don't think we see an overwhelming reaction  
36 from the non-residential sector for change. Particularly  
37 in waste water and sewerage charges, the non-residential  
38 sector seems to be reasonably comfortable with the mix of  
39 meter size, discharge, usage, et cetera.  
40

41 I don't see that there would be a problem with you  
42 making some of the reforms we talked about this morning for  
43 the residential sector ahead of or at a different pace from  
44 those for the non-residential sector. Given the discussion  
45 this afternoon about some of the difficulties, I think we  
46 really ought to address those first before we can decide  
47 how we want to reform the non-residential sector.

1  
2 MR O'DEA: I think what Andrew is saying is borne out if  
3 we go back and look at slides. I agree with Andrew. The  
4 reason is Hunter does have a disparity between stratas, and  
5 they are not with strata shops but factory units, which are  
6 a percentage of the base. Hunter are charging stratas and  
7 single owners the same charge as it is now. With option 3  
8 what was being discussed and was envisaged, and which I  
9 believe Andrew and Angus agreed was more pure, is pretty  
10 much along the lines of what Hunter Water currently has for  
11 its sewerage charges. That analysis we can do relatively  
12 quickly, probably in the space of three weeks.  
13

14 THE ACTING CHAIRMAN: I am wondering if the various  
15 representatives of the non-residential sector here see  
16 problems with the sewerage service charging structure or is  
17 it all right at the moment as it is?  
18

19 MR NARDI: To reflect the words in our submission, we said  
20 option 1 at this stage. It is probably a bit obvious in  
21 what we wrote that we do. However, in the absence of,  
22 I suppose, better understanding of some of the claims about  
23 cost reflectivity, or even subsidisation or some of these  
24 terms that have been used, we are yet to see them.  
25 Actually looking at the permitted charge, it seems from our  
26 members' point of view that they pay what they are charged  
27 for from a service charge point of view. On that basis,  
28 that is our position. However, I agree that definitely we  
29 would be prepared to be part of the process to analyse this  
30 in further detail.  
31

32 MR WILSON: If I may make a final comment, Mr Chairman,  
33 I think what a lot of us have been saying is that we don't  
34 think currently there are distorted behaviours being  
35 created by these charges. It is really about the equitable  
36 distribution of fixed costs. There would be a greater case  
37 for rapid action if behaviours were being affected.  
38 I think, because it is really about how do we equitably  
39 distribute cost, so perhaps we could have more time to work  
40 through those issues.  
41

42 THE ACTING CHAIRMAN: Thank you. Any further  
43 comment? No.  
44

45 Does anyone in the back of the room want to make a  
46 comment at this point?  
47

1 It seems to me this is one issue that does deserve  
2 further work and an element of consensus building. Shall  
3 we then move on to the water non-residential charge.  
4  
5 Session 5: Non-residential charges: water service charge  
6  
7 MS CHADWICK: Turning to the non-residential charges for  
8 the water service charge, as with the residential sector,  
9 the current structure includes a penalty where buildings  
10 are individually metered.  
11  
12 Again, we have on this slide, on the face of it, three  
13 very similar premises. The first is a strata shop/factory  
14 unit building that is individually metered. Next to it is  
15 a building that looks very similar. It could be either  
16 strata titled or have a single common owner and have a  
17 single meter. Next to that is an industrial building with  
18 a 40mm meter.  
19  
20 Under the current charges, again just looking at  
21 Sydney Water as a first example, the doctor in the  
22 single-dwelling house or an individual premise on a high  
23 street is being charged 100 per cent of the 20mm charge for  
24 water services. The individually metered strata premises  
25 are each being charged 100 per cent of the 20mm premises.  
26 With the two common property buildings, that 40 mm charge  
27 is, in the case of the industrial, being borne by the  
28 industrial premise owner; in the case of the common meter,  
29 be it strataed or commonly owned, it is being distributed  
30 between the tenants, approximately 40 per cent per tenant.  
31  
32 Again, you can see there that there is a difference  
33 between the utilities. I guess one of the issues we are  
34 trying to draw your attention to on the slide is the  
35 difference with a property that is individually metered and  
36 the essential inequity of that charge.  
37  
38 In relation to one of the issues that were raised  
39 earlier, while there are four different properties on the  
40 slide, these are not the only property types that are out  
41 there for non-residential premises. Hotels and motels are  
42 being charged on a similar basis to the common meter only  
43 premises - the third one across.  
44  
45 For a boarding house, which is another kind of  
46 non-residential property type, there is a common meter  
47 charge for water; but in the case of Sydney Water, Gosford

1 and Wyong, each tenant would incur a standard residential  
2 charge for sewerage.  
3  
4 Looking at the submissions, I think the submissions on  
5 this issue mirror those that we received in relation to the  
6 sewerage service charge. The Shopping Centre Council and  
7 the Property Council indicated a strong reluctance for us  
8 to pursue option 2 because of the impacts on their members.  
9 I think the Business Council and the utilities support the  
10 cost reflective pricing, but again would like to see  
11 further impact analysis.  
12  
13 The other important issue to note is the  
14 identification of the costs of collecting information about  
15 the tenancies of single-owned premises where the utilities  
16 don't currently have that information.  
17  
18 This slide relates to the pros and cons of those  
19 options. While a standard service charge option 2 may be  
20 simple to implement and cost reflective in that a doctor in  
21 any one of those premises would be charged the same amount  
22 of money, there would be a rise in the costs for that  
23 doctor's premises inside a single-owner multi-premise.  
24  
25 In terms of option 3, which is the other one we have  
26 had some discussion on today, again, it is simple and  
27 there is potential for a size that is more than 20mm for  
28 small customers. It would mean a lower charge for the  
29 doctor, depending which premises they were in - sorry, it  
30 is more cost reflective, but obviously if you were to  
31 pursue option 2 for the residential sector, it would be  
32 incompatible with that price structure, so there would be a  
33 difference in the price structure between residential and  
34 non-residential charges.  
35  
36 The questions for discussion are: is it necessary to  
37 have the same price structure for residential and  
38 non-residential customers within the same utility; and in  
39 relation to the desire for more impact analysis, what  
40 impact analysis should we be focusing in on?  
41  
42 THE ACTING CHAIRMAN: Thank you very much.  
43 Comments, Stuart?  
44  
45 MR WILSON: I guess the overriding comment is we do  
46 charge for water at the volumetric price, so that takes some of  
47 the pressure, for want of a better word, off the service

1 charge. Is it necessary to have the same price structure  
2 for residential as non-residential customers within the  
3 same utility? In the residential sector, we are arguing  
4 that houses and units look and perform similarly in the way  
5 they discharge and consume water so that they should be  
6 grouped together so it is like with like. It is not clear  
7 that that transfers over to the non-residential sector.  
8 A 20mm dwelling is not necessarily always like a  
9 20mm non-commercial premise.  
10  
11 I think that understanding the differences is central  
12 to understanding whether they should be charged the same.  
13 In principle, I think there could be good reasons for  
14 differential charging between the two sectors.  
15  
16 Diane would you like to add anything to that?  
17  
18 MS HOLDER: There is just one point of clarification, if I  
19 may, on something Amanda said. At the moment for strata,  
20 non-residential strata units, the strata units have a share  
21 of the service charge --  
22  
23 MS CHADWICK: That was my error.  
24  
25 MS HOLDER: -- which is interesting because, as has  
26 been suggested, if we were going to charge the same rate  
27 for residential, and we are talking residential with each  
28 strata unit getting the full service charge, then that  
29 would have implications for how we might then charge the  
30 non-residential strata units, but I am only talking strata  
31 units as opposed to other types of properties.  
32  
33 MR O'DEA: I think in the slides that Amanda put up where  
34 there might have been some confusion - and I will take the  
35 blame for it because I did the slides - was that what  
36 Amanda was referring to was strata units with a common  
37 meter. I think that is where the confusion was. We are  
38 aware that strata units with common meters pay water-based  
39 charges, but strata units with their own meters pay a full  
40 service charge.  
41  
42 MS HOLDER: And in that respect there is some inequity at  
43 the moment between strata units.  
44  
45 MR O'DEA: Indeed.  
46  
47 THE ACTING CHAIRMAN: Any further comments?

1  
2 MR NARDI: In relation to sewerage, I would probably make  
3 similar comments to the previous matter. Perhaps that can  
4 be noted rather than my saying it all again.  
5  
6 THE ACTING CHAIRMAN: Thank you.  
7  
8 MS KNIGHT: Again the councils would have a very similar  
9 position on water as they do for sewerage. To go back to  
10 the question that was asked of us with regard to sewerage  
11 about the time delay, in addressing residential and then  
12 maybe non-residential, I think we would prefer to spend the  
13 time to get the non-residential sector right and to get the  
14 benefits of getting that right. Rather than hurrying it  
15 just to keep it in line with residential, it would be far  
16 better to get it right than just keeping it together.  
17  
18 THE ACTING CHAIRMAN: Thank you. Are there any  
19 further comments? This is really like what we discussed with  
20 sewerage. We think we need to study it more and get some  
21 better data and understanding of what is really going on  
22 and build a greater degree of consensus. And there is no  
23 particular degree of urgency in anyone's mind to do  
24 anything about this straight away: is that right? Have we  
25 adequately identified that further work that needs to be  
26 done to better understand the position; if so, what would  
27 help?  
28  
29 MR NARDI: Similarly to the previous comments, looking at  
30 bills, again the option 2 would not be preferred - again a  
31 meter-based option, we already pay a meter-based charge.  
32 We can obviously model it. I have a bill here with six or  
33 seven different meters on it. We understand the current  
34 charge. The question would be what the other inputs or  
35 multiples might be.  
36  
37 My understanding is given there is no physical change  
38 in infrastructure or metering or anything, as long as that  
39 is a constant, it would be a fairly simple exercise from  
40 our end at least.  
41  
42 THE CHAIRMAN: Thank you.  
43  
44 MR O'DEA: Mr Chairman, first of all, the Secretariat  
45 would like to thank the Shopping Centre Council and the  
46 Property Council for spending a lot of time with us over  
47 the last few weeks to help us understand some of their

1 issues. With regard to what Angus has just raised about  
2 the meter-based charge, we have the data for that.

3  
4 One group that is not represented here that we would  
5 probably need to consider is the strata owners. In doing  
6 nothing, strata owners are being significantly  
7 disadvantaged compared with other properties and what  
8 Angus said about a meter-based charge being relatively fair.

9  
10 We can proceed with that work fairly quickly. We have  
11 that data. I guess what we would look for is a direction  
12 around whether we drop option 2 completely, which I think  
13 Liz was saying is where there was a data issue. We don't  
14 have a data issue with meter-based options.

15  
16 THE ACTING CHAIRMAN: My sense of this is that what  
17 really needs to happen is a broader based conversation, trying  
18 to take people with it - so more informed conversation trying  
19 to build consensus. There is a sense if that can be  
20 allowed to happen, there is no real urgency to do anything  
21 in the next two months. That is my sense of it.

22  
23 MS CHADWICK: Yes.

24  
25 THE ACTING CHAIRMAN: Are there any further comments  
26 from the people around the table? No.

27  
28 Perhaps there is someone in the back of the room who  
29 has been waiting patiently to join this discussion? No.

30  
31 CLOSING REMARKS

32  
33 THE ACTING CHAIRMAN: We thank you for your  
34 constructive participation today. I think we have advanced  
35 things a fair way. As I understand, the next stage is our first  
36 big Sydney Water submission. We have asked them to  
37 produce some proposals on some of these issues at least and  
38 we expect to get some proposals from them next month. Then  
39 we ourselves will need to finalise our report, and I think  
40 that will happen in November.

41  
42 MS CHADWICK: Late October/early November.

43  
44 THE ACTING CHAIRMAN: Thank you all, once again, for  
45 coming and for your assistance today.

46  
47 AT 1.06PM THE TRIBUNAL WAS ADJOURNED  
ACCORDINGLY

.29/8/11 58

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