



public interest
ADVOCACY CENTRE LTD

**Central Coast Water Prices: Submission to
IPART Draft Determinations and Draft
Report on prices for water, wastewater and
stormwater services for Gosford City
Council and Wyong Shire Council**

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The Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit law and policy organisation that seeks to promote a just and democratic society by making strategic interventions on public interest issues.

PIAC identifies public interest issues and, where possible and appropriate, works co-operatively with other organisations to advocate for individuals and groups affected.

In making strategic interventions on public interest issues PIAC seeks to:

- expose unjust or unsafe practices, deficient laws or policies;
- promote accountable, transparent and responsive government;
- encourage, influence and inform public debate;
- promote the development of law—both statutory and common—that reflects the public interest; and
- develop community organisations to pursue the interests of the communities they represent.

Established in July 1982 as an initiative of the Law Foundation of New South Wales, with support from the NSW Legal Aid Commission, PIAC was the first, and remains the only, broadly based public interest legal centre in Australia. Financial support for PIAC comes primarily from the NSW Public Purpose Fund and the Commonwealth and State Community Legal Centre Funding Program. PIAC also receives funding from the NSW Government Department of Energy and Water for its work on utilities, and from Allens Arthur Robinson for its Indigenous Justice Program. PIAC also generates income from project and case grants, seminars, consultancy fees, donations and recovery of costs in legal actions.

Energy + Water Consumer Advocacy Program (EWCAP)

This Program was established at PIAC as the Utilities Consumers' Advocacy Program in 1998 with NSW Government funding. The aim of the Program is to develop policy and advocate in the interests of low income and other residential consumers in the NSW energy and water markets. PIAC receives policy input to the Program from a community-based reference group whose members include:

- Council of Social Service of NSW (NCOSS);
- Combined Pensioners and Superannuants Association of NSW (CPSA);
- Park and Village Service;
- Ethnic Communities Council NSW;
- Rural and remote consumers;
- Institute of Sustainable Futures, University of Technology;
- Indigenous consumer representative; and
- Western Sydney Community Forum

Introduction

PIAC welcomes the opportunity to provide comment on the Independent Pricing and Regulatory Tribunal (IPART) draft determinations and report on water, wastewater, and stormwater services for Gosford City Council and Wyong Shire Council.

The draft determinations provide for substantial increases in the price of water and sewerage services. PIAC is concerned that low-income and other disadvantaged residents of the Central Coast will experience difficulty paying their water bills as a result of these determinations and seeks to ensure customers have access to an adequate pensioner rebate, hardship program and industry complaints scheme. PIAC also offers observations on the initial price increase, fixed charges, and return on assets for IPART's consideration.

Impact of price increases

The draft determinations indicate that households in Wyong that consume 200kL of water per annum will pay an extra \$215 each year for water by the end of the determination and that households in Gosford with the same level of consumption will pay an additional \$166.¹ As this does not include the impact of the Climate Change Fund or Carbon Pollution Reduction Scheme, PIAC notes that water bills may increase by even higher amounts than the determinations suggest.

In its initial submission to the review, PIAC posited that a high proportion of residents of Gosford and Wyong are low-income earners and that some of these households would experience difficulty absorbing increases in the price of water. In response to this concern, IPART noted that only 10 per cent of respondents to its recent household survey reported difficulties paying their water bills over the last three years.²

PIAC takes exception to the notion that *only* 10 per cent of respondents had difficulties paying their water bills. Ten per cent represents a considerable proportion of Central Coast households experiencing difficulty maintaining access to this essential service. PIAC also submits that this is likely to be an underestimation of the actual proportion of customers who experience hardship as a result of water prices because, as anecdotal evidence provided by community organisations to the Council of Social Service of New South Wales (NCOSS) attests, many aged pensioners pay their utility bills but then go without access to other essential goods and services.

Regardless of the exact proportion of households that have experienced difficulty, PIAC contends that the adoption of higher water prices will see a greater proportion of households struggle to pay their water bills over the course of the upcoming determination. PIAC submits that the impact will be particularly dire as the economic crisis unfolds and some residents of the Central Coast lose income derived from work and superannuation.

Pensioner Rebate

PIAC is particularly concerned that the adoption of the draft price determinations will lead pensioners to experience greater percentage increases in their bills. As such, PIAC strongly endorses the IPART recommendation that the NSW Government undertakes a review of the adequacy of the current rebates and the way in which they are calculated, and that the *Local Government Act 1993 (NSW)* be amended to reflect any decision the Government makes to amend rebates.³

PIAC is also alarmed that some pensioners are denied access to the pensioner rebate based on their residential status. Specifically, it is understood that pensioners who are private tenants or caravan park residents may not be able to access this rebate. PIAC requests that IPART recommends that the review consider access to and eligibility for the pensioner rebate with a view to ensuring the scheme is available to all pensioners.

PIAC also requests that the final report recommends that the review incorporate public consultation so that pensioners, tenants, community organisations, consumer advocates, and other stakeholders can participate in the process.

¹ Independent Pricing and Regulatory Tribunal of New South Wales, 'IPART Releases Draft Determination of Water Prices for Gosford and Wyong' (Media Release, 5 March 2009) 4-5.

² Independent Pricing and Regulatory Tribunal of New South Wales, *Gosford City Council Wyong Shire Council Prices for water, sewerage and stormwater drainage services from 1 July 2009 to 30 June 2013 Draft Report* (2009) 135.

³ *Ibid* 136.

Social Programs

Beyond the pensioner rebate, PIAC maintains that Gosford Council and Wyong Council should provide customers experiencing hardship with assistance paying their bills and reducing their water consumption.

PIAC notes that customers of Sydney Water have access to programs including Payment Assistance Scheme (PAS) vouchers when experiencing financial difficulty paying their water bills; No Interest Loan Schemes (NILS) that assist with the purchase water-efficient appliances like washing machines; Centrepay to elect to have a small amount of their Centrelink benefits automatically allocated to pay their water bills each fortnight; and Water Fix to improve the water efficiency of their kitchens and bathrooms. Given the adoption of the price determinations in question will lead Central Coast residents to spend as much on water as residents of Sydney with the same level of consumption, PIAC deems it inequitable for households in Gosford and Wyong to be denied access to the equivalent or same range of supports.

PIAC welcomed the recent media release that stated that IPART was recommending that Gosford Council and Wyong Council have special payment measures in place for customers who have difficulties paying their bills⁴, but is concerned that the draft report does not overtly make a recommendation to this effect.

PIAC urges IPART to recommend that the NSW Government regulate to require water utilities to offer hardship programs that provide crisis support, debt management, referral to community services, and water efficiency initiatives to customers who identify themselves or are identified as experiencing hardship. PIAC submits that the adequacy of these hardship programs should be approved by IPART, that water utilities should be obliged to publicly report on their delivery of hardship programs, and that IPART monitor and audit their performance against customer service indicators.

Failing this, PIAC reiterates its request for IPART to recommend that the NSW Government review the adequacy of programs available for resident of Gosford and Wyong. It is again noted that IPART has previously proposed an evaluation of Sydney Water's current and proposed social programs to ensure that appropriate measures were in place to assist vulnerable consumers to manage price increases.⁵

Energy & Water Ombudsman NSW

PIAC notes that the draft report neglected to include reference to the Energy & Water Ombudsman New South Wales (EWON). PIAC notes that customers of Sydney Water and Hunter Water each have access to the EWON scheme and that the recent *Report of the Independent Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-Metropolitan NSW* recommends that EWON be adopted by local water utilities as a mandatory requirement provided it can be demonstrated there are net benefits in doing so.⁶ PIAC contends that the increase in water prices on the Central Coast is likely to generate an increase in credit and billing complaints and urges IPART to recommend that both Gosford and Wyong Council join the authorised industry complaints resolution scheme. PIAC also notes that the *National Performance Report 2006-2007 Urban Water Utilities* indicates that Gosford Council receives an exceptionally high number of complaints about water quality⁷ and submits that EWON may usefully assist with the resolution of these matters.

⁴ Independent Pricing and Regulatory Tribunal of New South Wales, above n 1, 1.

⁵ Independent Pricing and Regulatory Tribunal of new South Wales, *Review of prices for Sydney Water Corporation's water, sewerage, stormwater and other services from 1 July 2008 Determination and Final Report* (2008) IPART, Sydney, 131.

⁶ The Hon Ian Armstrong and Dr Colin Gellatly, *Report of the Independent Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-Metropolitan NSW* (2008) 6.

⁷ National Water Commission, *National Performance Report 2006-2007 Urban Water Utilities*

<www.nwc.gov.au/www/html/381-2006-07-national-performance-report---urban-water-utilities.asp> at 27 March 2009.

Initial increase

PIAC welcomes the adoption of a glide-path approach to price setting but is concerned that residents of both Gosford Council and Wyong Council will face greater increases in their fixed charges in the first year of the determination than in ensuing years. PIAC reiterates its support for Gosford Council's proposal for a constant price increase over the period so that consumers experience incremental adjustments in their bills instead of a greater initial increase that has the potential to bring about financial stress. The impact of the water price increase in the first year of the determinations is of particular concern given it appears likely to coincide with a 21.5 per cent increase in average electricity bills.⁸

Fixed charges

PIAC notes that the draft determination imposes a significant increase in the fixed service charge for residents of Wyong Shire Council.⁹ PIAC reiterates its objection to increased fixed water charges because it reduces the capacity of households to lower their bills by decreasing their water consumption. PIAC in turn urges IPART to reconsider this impost.

Population Projections

The Draft Report indicates that the upcoming price increases are necessary, in part, due to expected population growth.¹⁰ PIAC understands that the NSW Department of Planning will release its New South Wales Local Government Area Populations Projections 2006 – 2036 in April and requests that IPART refers to this updated demographic data when deliberating upon and determining the necessity of the capital expenditure programs for both Gosford Council and Wyong Council.

Return on Assets

PIAC notes that returns on assets bear responsibility for a significant proportion of the proposed price increases.¹¹

IPART states that the inclusion of an allowance for a return on capital has two purposes. Firstly, it assists in informing customers of the full cost of providing water services and the cost consequences of their consumption decision.¹² PIAC questions the merit of this purpose when consumers have limited scope to influence these costs by reducing their consumption. IPART states that water restrictions in Gosford and Wyong have suppressed discretionary water usage so that almost all current demand is for non-discretionary purposes.¹³ PIAC contends that including an allowance for a return on capital to inform Gosford and Wyong households of the cost consequence of their consumption decisions serves no positive public function.

IPART suggests that the second purpose of including an allowance for a return on capital is to ensure that councils receive appropriate compensation for bearing the risks associated with the business. PIAC notes that the Federal Government recently offered to guarantee state government borrowings and requests that IPART enquire as to whether this assurance is likely to extend to local governments. In the event that local governments secure such a commitment, PIAC submits that this reduces the risk of conducting business and should impact upon the allowance for a return on capital.

⁸ Independent Pricing and Regulatory Tribunal of New South Wales, *Market-based electricity purchase cost allowance – 2009 review* (2009) 12.

⁹ Independent Pricing and Regulatory Tribunal of New South Wales, above n 2, 6.

¹⁰ Independent Pricing and Regulatory Tribunal of New South Wales, above n 1, 1.

¹¹ Independent Pricing and Regulatory Tribunal of New South Wales, above, n 2, 3 and 7.

¹² Independent Pricing and Regulatory Tribunal, above n 2, 6.

¹³ *Ibid* 105.