



## **Water pressure on consumers:**

**PIAC submission to IPART's review of water prices  
for Gosford City Council and Wyong Shire Council**

**12 October 2012**

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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 works for a fair, just and democratic society, empowering citizens, consumers and communities by taking strategic action 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. PIAC seeks to:

- expose and redress unjust or unsafe practices, deficient laws or policies;
- promote accountable, transparent and responsive government;
- encourage, influence and inform public debate on issues affecting legal and democratic rights; and
- promote the development of law that reflects the public interest;
- develop and assist community organisations with a public interest focus to pursue the interests of the communities they represent;
- develop models to respond to unmet legal need; and
- maintain an effective and sustainable organisation.

Established in July 1982 as an initiative of the (then) 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 Services Program. PIAC also receives funding from the Trade and Investment, Regional Infrastructure and Services NSW for its work on energy and water, and from Allens 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 Consumers' Advocacy Program**

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;
- Park and Village Service;
- Ethnic Communities Council NSW;
- Rural and remote consumers;
- Retirement Villages Residents Association;
- Physical Disability Council NSW; and
- Affiliated Residential Park Residents Association.

# 1. Introduction

PIAC welcomes the opportunity to provide comment on the NSW Independent Pricing and Regulatory Tribunal's (IPART) *Review of prices for water, sewerage and stormwater services to Gosford City Council and Wyong Shire Council* (the review).

IPART is conducting this review to set prices for Gosford City Council (Gosford Council) and Wyong Shire Council (Wyong Council) (collectively, the Councils) for the next price period, commencing on 1 July 2013. IPART has developed an issues paper to help stakeholders understand the issues that will be considered as part of the review, as well as outline those issues on which IPART is seeking comment from both the Councils and stakeholders. The Councils have developed separate pricing proposals based on the issues outlined by IPART, as well as those each considers significant to this review. PIAC provides comment in this submission with reference to both the issues paper and the proposals from each council. In line with IPART's approach of releasing a single issues paper for both Councils, PIAC responds to both pricing proposals in a single submission.

Gosford Council has proposed a price increase of 53% above inflation over four years, for indicative residential customers using 200 kilolitres of water per year (kL/year). This equates to an increase of \$551, excluding inflation, from 2012/13 prices to the fourth year of the determination.<sup>1</sup> Wyong Council has proposed a price increase of 45% above inflation over a four-year determination period for consumers using 200kL/year. This equates to a total increase of \$512, excluding inflation, from 2012/13 prices to the fourth year of the determination.

The major drivers of the price increases appear to be related to operating expenditure (opex) and capital expenditure (capex) by the two Councils. Opex appears to be being driven by increases in electricity prices and wages, while increases in capex (beyond infrastructure renewal) appear specifically related to the Mangrove to Mardi water transfer system development.<sup>2</sup> Given the size of the price increase proposed by both Councils, PIAC urges IPART to undertake a detailed assessment of the Councils' respective proposals to ensure all expenditure is in line with efficient costs and on necessary projects.

PIAC also notes that this price determination process is taking place with the creation of the Central Coast Water Corporation (CCWC) on the horizon. According to submissions from the Councils, the CCWC will commence operations on 1 July 2014 and is expected to become the Water Supply Authority for the area of both Councils on 1 July 2017.<sup>3</sup> Both Councils are seeking \$6.2 million for costs associated with the creation of the CCWC as part of their pricing proposals.<sup>4</sup>

PIAC is extremely concerned about the size of the proposed increases and the impact they would have on consumers if agreed to by IPART. PIAC also submits that both Councils have significant room for improvement in their customer assistance programs, including in relation to offering Centrepay and emergency assistance.

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<sup>1</sup> Gosford City Council, *Pricing submission to IPART*, 2012, 61.

<sup>2</sup> Ibid 73.

<sup>3</sup> Ibid 31.

<sup>4</sup> Ibid 34; Wyong Shire Council, *Wyong Shire Council's Submission to IPART's Review of Prices for Water, Sewerage and Stormwater Service for Wyong Shire Council - Price Path from 1 July 2013 - 30 June 2017*, 30.

## 2. Affordability

Both Councils have proposed extremely large price increases over a four-year period. The larger price rise is put forward by Gosford Council, which has proposed a total real increase of 53% over four years for an indicative annual bill of 200 kL/year (this is approximately the average level of household water usage). Households consuming that amount of water would see their annual bill increase from \$929 in 2012/13 to \$1480 in 2016/17, excluding inflation.<sup>5</sup> Bills would increase by 18% in the first year of the new determination, followed by 10% in the second year and 9% in each of the following two years.<sup>6</sup> The proposed increase is made up of: a 140% increase in water service charge; an 85% increase in the stormwater service charge; a 53% increase in the sewerage service charge; and a 27% increase in the water usage charge.<sup>7</sup>

Because the smallest increase in percentage terms relates to the only variable charge, households with lower than average consumption will experience higher increases in percentage terms and vice versa. According to figures in Gosford Council's submission, customers using 100kL/year (well below average household usage) will see prices increase by 59% over four years, meaning their bill would rise from \$1,141 in 2012/13 to \$1,750 in 2016/17, excluding inflation. Households using 750kL/year (a very high level of domestic usage) would see a price increase of 40% over four years, with bills rising from \$2307 in 2012/13 to \$3,235 in 2016/17, excluding inflation.<sup>8</sup>

Wyong Council has also proposed significant price increases over a four-year determination period. Wyong Council has proposed a total real increase of 45% for a household using 200 kL/year, taking such a household's bill from \$1145 in 2012/13 to \$1657 in 2016/17, excluding inflation.<sup>9</sup> Wyong Council has put some effort into smoothing the price increases across all four years. A household using 160kL/year (the indicative amount used by Wyong Council in its submission) would see an increase in their bill of 10% in 2013/14, followed by an increase of 9.9% in each of the following three years.<sup>10</sup> The increase will be made up of: a 50% increase in the sewerage service charge; a 42% increase in the drainage (stormwater) service charge; a 37% increase in the water service charge; and a 25% increase in the water usage charge.<sup>11</sup>

As with Gosford Council, the smallest proposed increase in percentage terms is for the only variable component of the bill, meaning the impact of the price rises will vary depending on household water usage. The proposed price increases mean that a household using 100kL/year would see their bill increase by 49%, from \$933 in 2012/13 to \$1387 in 2016/17, excluding inflation. A household using 200kL/year would see their bill increase by 45%, from \$1145 in 2012/13 to \$1657 in 2016/17, excluding inflation. Finally, a household 750kL/year would see their bill increase by 36%, from \$2311 in 2012/13 to \$3142 in 2016/17, excluding inflation.<sup>12</sup>

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<sup>5</sup> Ibid 61.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Wyong Shire Council, above n 4, 6.

<sup>10</sup> Wyong Shire Council, *Review of Water, Sewerage and Stormwater Drainage price (Summary)*, 2012, 2.

<sup>11</sup> Ibid.

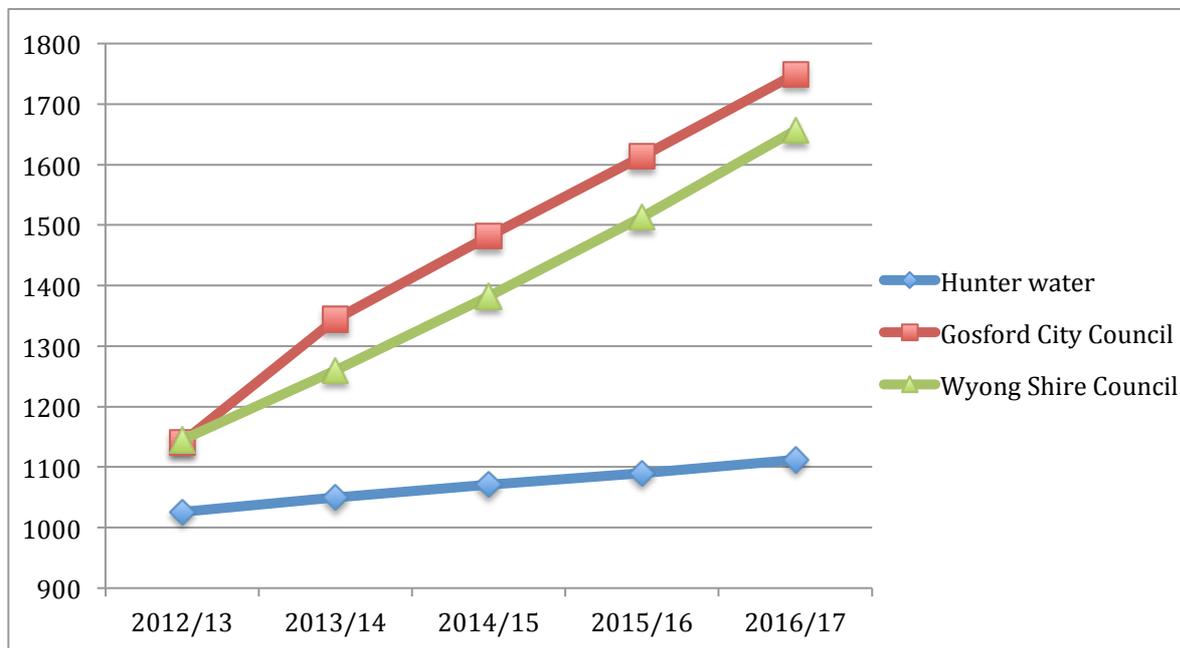
<sup>12</sup> Wyong Shire Council, above n 4, 6.

## 2.1 Trends in affordability

While the price rises proposed by Gosford and Wyong Councils are extremely significant, PIAC wishes to further highlight the broader contexts within which they occur. Firstly, customers of Gosford and Wyong Councils experienced sizeable increases above inflation under the previous water price determination. Prices increased by 15% above inflation from 2009/10 to 2012/13 for customers of Gosford Council using 200kL/year<sup>13</sup> and 21% above inflation for customers of Wyong Council for customers with the same level of usage over the same period.<sup>14</sup> Given consumers in both Local Government Areas have experienced recent increases in the price of water, PIAC is extremely concerned about the potential impact of the proposed price rises on those who are struggling to afford access to the essential service of water. These impacts could be partly alleviated by an increase in pensioner rebates, as discussed in section 3.1 below.

PIAC also draws attention to the fact that the proposed price increases are significantly higher than those proposed by Hunter Water Corporation, whose price determination process is being run simultaneously with that for Gosford and Wyong Councils. As shown in Figure 1, while a bill for use of 200kL/year in 2012/13 is similar across the three providers, by 2016/17 the bills for each of the Councils would be significantly higher if all three pricing proposals were adopted without amendment. In light of the divergence illustrated below, PIAC asks whether consumers would be better served by amalgamation of the Councils into a larger water provider to encourage economies of scale and the efficient provision of essential services.

**Figure 1: Residential bill for water and sewerage service for households using 200 kL/year of water for Hunter Water, Gosford City Council and Wyong Shire Council, 2012/13 to 2016/17 (\$2012/13)**



<sup>13</sup> IPART, *Gosford City Council, Wyong Shire Council: Price for water, sewerage and stormwater drainage services from 1 July 2009 to 30 June 2013—Final report*, 2009, 4.

<sup>14</sup> *Ibid*, 9.

PIAC also notes that while both Councils claim to have made an effort to smooth price increases to assist customers manage the impact,<sup>15</sup> Gosford Council's proposed increases are weighted heavily towards the first year. Introducing the largest price rise in the first year increases the impact on consumers even further. PIAC therefore recommends that IPART closely examine the necessity of all price increases proposed by both councils, including the timing of increases proposed by Gosford Council.

### ***Recommendation 1***

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*PIAC recommends that IPART examine all proposed expenditure by Gosford and Wyong Councils to ensure that prices for the essential service of water remain as low as possible for residential consumers. Any price rises should be smoothed over the length of the determination period to reduce the price impact on consumers.*

Water is an essential service that is delivered by a monopoly provider. Consumers do not have an option to seek an alternative provider if they are unhappy with the level of service they receive or the cost they are required to pay. Consequently, there is no way for consumers to avoid the price rises in the cost of water and sewerage services. In addition, because the price increases for variable usage are the lowest increase for each Council, consumers have less scope to place downward pressure on their bills through water efficiency measures.

PIAC submits that there may be value in examining the long-term efficiency of small water providers. There may be a case for amalgamating smaller entities under broader umbrellas to achieve economies of scale, as has recently occurred in the case of energy distribution networks in NSW. While the creation of the CCWC is a move in this direction, it remains to be seen whether the new entity is large enough to deliver consumers the benefits of a large operation. As previously stated, if these economies of scale do not occur, PIAC submits that such benefits may be achieved by bringing the supply of water on the Central Coast under the control of a larger, existing water corporation.

## **2.2 Operating costs: electricity use**

Both Gosford and Wyong Councils cite electricity costs as a significant driver of increased opex, which in turn is driving the need for the proposed extremely steep price rises for consumers.<sup>16</sup> Under these circumstances, PIAC submits that there is likely to be significant scope for both Councils to investigate energy efficiency measures for their operations in order to reduce this item of expenditure. While these measures may require some level of capex, PIAC believes that such investments could be quickly paid for with the electricity savings they deliver, especially in light of the high and continuing increases in the cost of electricity.

In addition, PIAC submits that Gosford and Wyong Councils should explore all possibilities to move energy-intensive operations to cheaper price periods. Hunter Water recently stated in a submission to IPART that it had two full-time employees examining opportunities to reduce that company's electricity bill, including through 'optimising operations to take advantage of lower energy tariffs', and that these various measures had reduced spending on electricity by

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<sup>15</sup> Gosford City Council, above n 1, 61; Wyong Shire Council, above n 10, 2.

<sup>16</sup> Gosford City Council, above n 1, 22; Wyong Shire Council, above n 4, 5.

\$4.6 million.<sup>17</sup> Given Hunter Water's success in this area, PIAC recommends that the Councils investigate opportunities to reduce their electricity bills through similar means.

### **Recommendation 2**

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*PIAC recommends that Gosford and Wyong Councils examine all possible options for reducing their electricity use related to the provision of water and sewerage services, including through energy efficiency measures and opportunities to shift consumption to periods of lower energy tariffs.*

## **3. Customer assistance**

### **3.1 Pensioner rebates**

Pensioner rebates on water and sewerage services are paid by Councils, as guided by the *Local Government Act 1993* (NSW) (the Act). Under s 575(3) of the Act, the rebate for either water or sewerage services is capped at \$87.50, or \$175 in total.<sup>18</sup> The amount of this rebate has not changed since the Act was made in 1993. Despite significant price increases, there is no power to increase these rebate amounts without an amendment of the Act. This means that the value of the pensioner rebates have been significantly eroded in recent times, and this process will continue if the proposed price increases are approved by IPART.

IPART highlighted the lack of a CPI adjustment mechanism for pensioner rebates and the disparity between those offered by the Councils and Sydney Water in its final report for the previous price determination.<sup>19</sup>

PIAC also notes that Gosford Council offers a rebate to eligible pensioners on the water use component of their bill. The rebate is paid on 50% of consumption up to a maximum value of \$37.86 in any one year.<sup>20</sup> While PIAC welcomes the existence of this rebate, it must be noted that the rebate is exhausted at an extremely low level of consumption. At the current rate of \$2.12/kL, customers only receive the rebate on their first 36kL of consumption. At the proposed 2016/17 rate of \$2.70/kL, the rebate would only be applicable to 28kL of consumption. PIAC therefore recommends that Gosford Council's pensioner rebate on water consumption be set at a percentage of the overall water consumption charge, meaning it would automatically increase in line with price rises.

Adopting such a model would be in line with Wyong Council's 50% rebate to pensioners on the stormwater drainage service charge. That rebate is worth \$41.26 in 2012/13 and would increase to \$76.37, excluding inflation, if the prices proposed by Wyong Council were agreed to by IPART.<sup>21</sup>

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<sup>17</sup> Hunter Water Corporation, *Submission to IPART on prices to apply from 1 July 2013*, 2012, 43.

<sup>18</sup> *Local Government Act 1993* (NSW), s 575, cl 3 (b) (c).

<sup>19</sup> IPART, above n 13, 147.

<sup>20</sup> Gosford City Council, *Water consumption and billing*, [www.gosford.nsw.gov.au/customer/water\\_billing](http://www.gosford.nsw.gov.au/customer/water_billing), at 3 October 2012.

<sup>21</sup> Wyong Shire Council, above n 4, 61-62.

In light of the continuing erosion of the standard pensioner rebate due to price increases, PIAC repeats the call it made in submissions to the Councils' last price determination process in 2009, for a NSW Government review of the effectiveness of pensioner water rebates supplied by local councils.<sup>22</sup> IPART supported this recommendation in its final report for that price determination process.<sup>23</sup> Both Councils also support a NSW Government review of the provision of pensioner rebates for water and sewerage, while also noting that if the rebate were increased, the impact of this on their financial position would also need to be considered.<sup>24</sup>

It should also be noted that the previous NSW Government undertook a review of water concessions in 2009.<sup>25</sup> As findings of this review have not been made public, its findings and recommendations remain unknown. However, PIAC is hopeful that the work done to investigate the disparity between existing rebates, hardship provisions and eligibility criteria of water assistance could guide the development of contemporary methods to assist consumers remain connected to essential water services.

PIAC acknowledges the financial challenges of providing this assistance. However, existing arrangements see a range of consumers, including permanent residents of residential parks, ineligible for any assistance—while their need for water is no less essential.

Given the significant price rises being requested by Gosford and Wyong Councils, PIAC submits that steps must now be taken to deliver equitable access to water concessions and payment assistance programs across NSW. PIAC offers any assistance the NSW Government requires to move towards this goal.

An Advisory Group convened by the NSW Government and comprising representatives of consumer advocacy organisations, the community sector, water retailers and the Energy and Water Ombudsman NSW would be well placed to provide useful guidance in this regard.

### **Recommendation 3**

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*PIAC recommends that the NSW Government convene an advisory group to develop options for the delivery of NSW-wide water concessions that are accessible to a range of consumers, including residents of retirement villages and residential parks.*

### **Recommendation 4**

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*PIAC recommends that Gosford Council set its pensioner rebate on water consumption as a percentage of bills for water use.*

## **3.2 Promoting customer assistance measures**

PIAC contends that Gosford and Wyong Councils must increase their efforts to publicise the availability of pensioner rebates and customer hardship programs. PIAC submits that the low

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<sup>22</sup> Ludbrooke, M, *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, 2009*, PIAC, 3.

<sup>23</sup> IPART, above n 13, 148.

<sup>24</sup> Gosford City Council, above n 1, 62; Wyong Shire Council, above n 4, 61.

<sup>25</sup> NSW, *Parliamentary Debates*, Legislative Assembly, 6 May 2009, 14777, (The Hon. Phillip Costa, Minister for Water and Energy).

levels of participation in hardship programs may be due to a lack of awareness about these programs. In addition, information about the availability of pensioner rebates is not readily available on the website of either Council and PIAC understands that such information is also not widely distributed through other channels.

Gosford Council states in its submission that it receives less than 10 applications per year to its Hardship Committee.<sup>26</sup> Wyong Council states that while around 2,000 of its more than 60,000 properties are on a payment plan at any one time, only around 100 applications to the hardship program are received each year.<sup>27</sup> The websites of both Councils advise residents to make contact with the Council to arrange a payment plan if they are not able to pay their rates or water bills. However, it must be remembered that not all residents have access to the internet. Bill inserts can also be of limited value, as people experiencing financial hardship often ignore letters that appear to be bills.

PIAC, therefore, recommends that both Councils engage with community organisations with existing networks to distribute information about the existence of payment plans and hardship programs. Local newspapers are also an effective way to publicise such programs, as these are generally free and accessible to low-income consumers, as well as being targeted at a local audience.

The websites of both Councils also lack clear details about the availability of pensioner rebates on water and sewerage. Gosford council provides information on two separate pages, one of which is under the heading 'Frequently Asked Questions – Rates'.<sup>28</sup> Wyong Council provides only a brief statement that rebates on rates are available to pensioners, without specific details.<sup>29</sup>

### **Recommendation 5**

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*PIAC recommends that Gosford and Wyong Councils promote the assistance measures available to their customers through a wider variety of channels, including through community organisations, newsletters and local newspapers. Both Councils should also provide clear, detailed and easily accessible information on their websites about the availability of pensioner rebates for water and sewerage.*

### **3.3 Access to Centrepay**

PIAC submits that Gosford and Wyong Councils should allow their customers to use Centrepay to pay their water bills, if these customers so choose. Centrepay is an extremely useful and effective tool in allowing Centrelink recipients to manage low incomes. Centrepay is offered by the two largest electricity providers in NSW, Energy Australia and Origin Energy,<sup>30</sup> as well as the

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<sup>26</sup> Gosford Shire Council, above n 1, 62.

<sup>27</sup> Wyong Shire Council, above n 4, 59.

<sup>28</sup> Gosford City Council, *Frequently Asked Questions – Rates*, [www.gosford.nsw.gov.au/customer/about\\_your\\_rates/documents/faq\\_answers.html?searchterm=payment+plan](http://www.gosford.nsw.gov.au/customer/about_your_rates/documents/faq_answers.html?searchterm=payment+plan), as at 3 October 2012.

<sup>29</sup> Wyong Shire Council, *Rate periods and special conditions*, [www.wyong.nsw.gov.au/my-property/rates/rate-periods-and-special-conditions/](http://www.wyong.nsw.gov.au/my-property/rates/rate-periods-and-special-conditions/), as at 3 October 2012.

<sup>30</sup> Energy Australia, *Community welfare workers*, <[www.energyaustralia.com.au/nsw/residential/your\\_account/payment\\_difficulty/community\\_welfare\\_workers](http://www.energyaustralia.com.au/nsw/residential/your_account/payment_difficulty/community_welfare_workers)>, as at 28 September 2012; Origin Energy, *Customer hardship policy*, 2011, 5.

state's biggest water provider, Sydney Water.<sup>31</sup> In the interests of equality, PIAC submits that customers of the Councils should not be denied the same option to use the Centrapay service.

In addition, Centrepay would provide the Councils with greater certainty about the receipt of payments from many hardship customers. This would deliver notable efficiency benefits to the Councils, who would receive greater certainty about the payments they receive from Centrelink recipients, and in many cases would no longer need to follow up late payments.

PIAC made a call for Gosford and Wyong Councils to allow the use of Centrepay in its submission to the Council's previous price determination processes. However, neither has chosen to provide this option to its customers. Due to the Councils' apparent reluctance to introduce access to this important income management tool, PIAC recommends not only that Gosford and Wyong Councils reverse this decision, but that the NSW Government introduce a requirement for all utility providers to allow access to Centrepay. In addition, the Councils should actively promote the availability of Centrepay to its customer base, including through those methods discussed above.

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#### **Recommendation 6**

*PIAC recommends that Gosford and Wyong Councils allow their customers to pay their bills, or bill instalments, using Centrepay. The availability of Centrepay should be actively promoted to Gosford and Wyong Council's customers.*

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#### **Recommendation 7**

*PIAC recommends that the NSW Government introduce a requirement for all utility providers in NSW to offer the use of Centrepay to their customers.*

### **3.4 Payment Assistance Scheme**

PIAC submits that both Gosford and Wyong Councils should develop Payment Assistance Schemes (PAS) to provide emergency relief to consumers who are struggling to pay their water bills due to sudden financial hardship. The PAS should operate in the same manner as that offered by Sydney Water, where community organisations such as St Vincent de Paul and local neighbourhood centres verify the eligibility of consumers for PAS assistance. Emergency assistance is then directly credited to the eligible person's account.

Hunter Water has recently indicated that that company's PAS costs its customers 14 cents per bill.<sup>32</sup> PIAC acknowledges that the smaller customer base of the Councils may mean that the administrative costs of their schemes would be relatively higher. Nonetheless, in light of the significant assistance PAS offers consumers in retaining unrestricted connection to the essential service of water—in return for modest costs to all consumers—PIAC submits that both Councils could achieve significant and beneficial social outcomes through the introduction of a PAS.

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#### **Recommendation 8**

*PIAC recommends that Gosford and Wyong Councils develop Payment Assistance Schemes to help consumers experiencing sudden financial hardship to pay their water bills.*

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<sup>31</sup> Sydney Water, *Financial assistance*, <[www.sydneywater.com.au/Customerservices/CommunityAssistance/FinancialAssistance/#CP](http://www.sydneywater.com.au/Customerservices/CommunityAssistance/FinancialAssistance/#CP)>, as at 28 September 2012.

<sup>32</sup> Hunter Water, above n 17, 132.

### 3.5 Reporting of customer hardship performance

PIAC has concerns regarding a lack of transparency surrounding Gosford and Wyong Councils' respective performance regarding customer assistance and hardship programs. PIAC would like to see the Councils each produce a yearly report on issues such as the number of customers on payment plans (including the number who drop off such plans), the number of customers placed on flow restrictions and the number of customers receiving pensioner rebates.

Such reporting is an important part of assessing trends in water affordability throughout the determination period. The report would also be valuable in assessing the effectiveness of any customer assistance programs and whether these programs need further development or alteration.

PIAC would also like greater detail on the Councils' respective intentions for continuing customer assistance and hardship programs throughout the determination period. PIAC submits that consumer assistance measures should be measurable and reported on to facilitate continuous improvement, maximise their value to consumers and promote their efficient delivery.

#### ***Recommendation 9***

*PIAC recommends that Gosford and Wyong Councils be required to produce a yearly customer assistance and program delivery report, containing information including the number of customers in hardship and the number of customers who have been placed on flow restriction due to non-payment of bills.*

## 4. Length of determination

In its issues paper for this review, IPART asks for stakeholder comment on the length of the price determinations, which must be for a period of between one and five years.<sup>33</sup> As IPART acknowledges, there are potential benefits to consumers from longer determination periods, including 'stronger incentives for the Councils to increase efficiency' to save on operating costs.<sup>34</sup> Longer determination periods also provide certainty for the Councils, which may allow for more long-term planning regarding investment decisions. At the same time, longer determination periods carry the risk that the benefits of any efficiencies achieved by the Councils will not be passed through to consumers for some years, an risk that IPART also acknowledges in its issues paper.<sup>35</sup> PIAC, therefore, believes that an appropriate balance between these two considerations is for IPART to deliver a four-year price determination for the Councils.

PIAC also believes that Gosford and Wyong Councils should be given price determinations of the same length. PIAC agrees with IPART that in light of the impending takeover of water supply from both Councils by the Central Coast Water Corporation, determinations of the same length make sense.<sup>36</sup>

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<sup>33</sup> IPART, above n 13, 17.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

However, It should also be noted that PIAC's support for a four-year determination is subject to the Councils each addressing the concerns about the reporting of its hardship performance outlined above.

PIAC also notes the potential complications for the next determination period that are created by the impending creation of CCWC. In particular, PIAC urges IPART to consider how any expenditure above efficient levels that is undertaken by the Councils would be recovered, if CCWC is the body that enters into the following price determination process. Such a consideration is particularly important in light of the major price rises being sought by both Councils over a four-year period.

The combination of size of the proposed price increases and the added complication of the creation of a new Water Supply Authority for the Central Coast make it critical for IPART to undertake an in-depth assessment of the respective activities of both Councils and their proposed expenditure programs over the next determination period.

Consumers are being asked to pay significant costs for the creation of CCWC, with each Council requesting \$6.2 million over four years. PIAC submits that consumers should not be made to wait too long to see benefits from the creation of CCWC in the form of lower prices through economies of scale from the larger entity. IPART should remain mindful of this expectation when undertaking this review.

#### ***Recommendation 10***

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*PIAC recommends that IPART hand down a four-year price determination for Gosford and Wyong Councils.*

## **5. Conclusion**

PIAC thanks IPART for the opportunity to contribute to provide comment on the issues paper.

PIAC submits that the price rises proposed by Gosford Council (53% in real terms over four years) and Wyong Council (45% in real terms over four years) are excessive and beyond what can be reasonably absorbed by consumers living in either area. PIAC, therefore, urges IPART to examine the absolute necessity of all proposed expenditure in an effort to keep price rises to a minimum. It is important that if consumers are to contribute significantly to the cost of creating the CCWC, benefits to consumers—ideally in the form of lower bills—should be realised as soon as possible.

PIAC also submits that Gosford and Wyong Councils should make improvements to their respective customer assistance measures. In particular, both Councils should offer their customers the option to pay their water bills using Centrepay. In addition, the Councils should develop PAS arrangements to help consumers struggling with the cost of water services.