



About Central Coast Council's 2022 Price Submission

Central
Coast
Council

- Council's 2022 Price Submission addresses all IPART's information requirements in relation to IPART's November 2020 Guidelines for Water Agency Pricing Submissions and IPART's December 2020 Submission Information Package to Central Coast Council.
- Council has cross referenced each item to guide the reader to the relevant section within this submission.
- This paper is intended to provide the reader notes for Central Coast Council's 2022 Proposal Summary and Technical Papers 1 to 10

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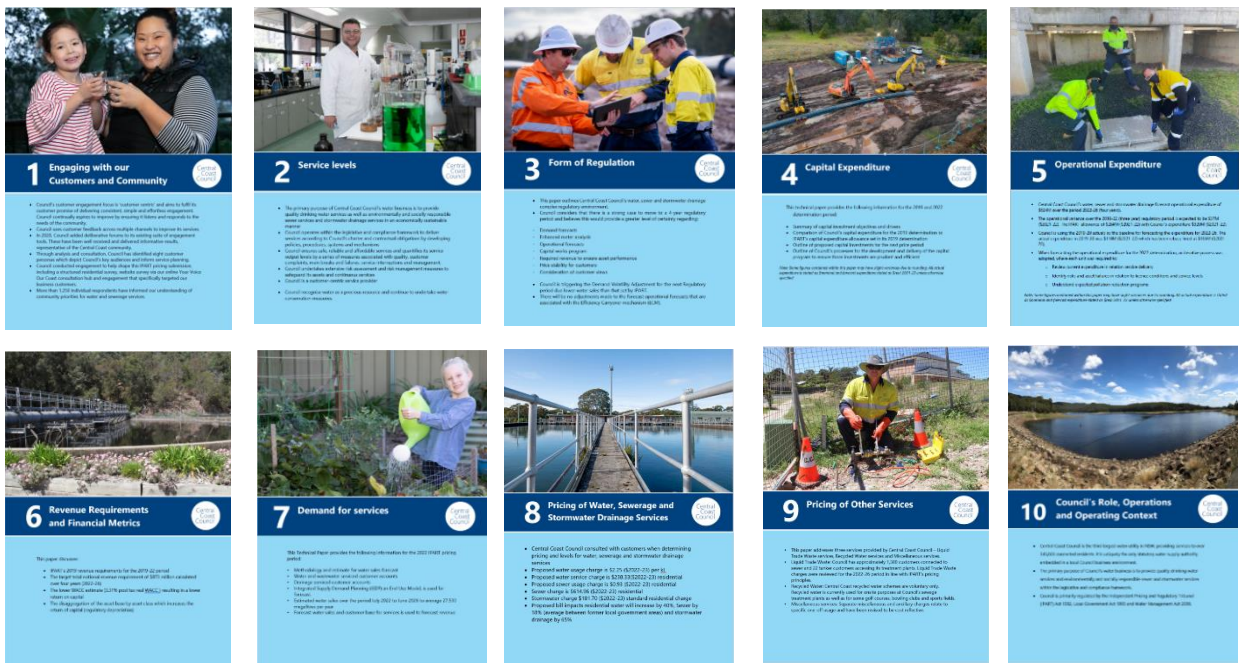
1. Submission structure

For this price review, Council has endeavoured to present its Pricing Proposal in a format that is easier to read, making it more accessible for customers, community members, stakeholders and IPART.

The objective is to allow a better understanding of the proposal resulting in a broad participation of the review process.

Council’s submission consists of 10 Technical Papers relevant to IPART’s proposal guidelines.

1.1 Council’s pricing proposal



Ten Technical Papers:

- Technical Paper 1 - Engaging with our customers and community
- Technical Paper 2 - Service levels
- Technical Paper 3 - Form of regulation
- Technical Paper 4- Capital expenditure
- Technical Paper 5 - Operational expenditure
- Technical Paper 6 - Revenue requirements and financial metrics
- Technical Paper 7 - Demand for services
- Technical Paper 8 – Pricing water, sewerage and stormwater drainage services
- Technical Paper 9 – Pricing other services
- Technical Paper 10 – Council’s role, operations and operating context

The 10 Technical Papers contain the detailed information on specific elements of the proposal including operations expenses, capital expenses and pricing. These papers can be read individually or as a suite.

2. Quality assurance

In November 2020 IPART released submission guidelines which included accompanying information returns and other materials provided by Council that are subject to a quality assurance (QA) check. Section 9 of the guidelines set out IPART's specific requirements for the QA check. The QA includes checking the information in the submission is consistent, all figures are accurate and correctly sourced, it contains all information requested by IPART and it includes proposed prices for the water, sewerage and stormwater drainage regulated prices.

A formal quality assurance statement confirming that the price submission and all returns have been independently checked.

In line with IPART's guidelines, Council's CEO declaration is attached to this document (Appendix A)

2.1 Reader's notes

For Council's 2022 Pricing Proposal, the following reader's notes are provided:

- All past values are shown in nominal terms (current/real dollars i.e. what was actually spent) – or the actual dollars of the year to which they apply. Where past values are shown in real terms, (constant dollars – or values that are adjusted to consider impacts of inflation - \$real), when showing totals or comparisons these will be indicated with the notation showing the relevant year (e.g. \$2020-21 for values in 2020-21 terms or \$2021-22 for values shown in \$2021-22-dollar terms). The proposal uses the term "before inflation" to indicate values in \$2020-21-dollar terms.
- Projected prices and values are quoted in both \$2021-22 and \$2022-23 terms, indicated by the notation \$2021-22 or \$2022-23. Exceptions are below
 - Projected customers' bills are presented in nominal dollars. Nominal dollars are dollar terms consistent with the year in which the cost occurs, including expected inflation.
- Bill impacts for prices to apply from 1 July 2022 have been expressed in nominal terms using an inflation forecast of 2.5% (midpoint of the RBA inflation forecast). IPART considers that using nominal dollars makes it easier for customers to understand the combined impact of the new prices and inflation on the amount they may expect to pay.
- Annual inflation used for indexation of dollar values is consistent with advice from IPART provided in the Submission Information Package provided in November 2020.
- As required by IPART's submission guidelines, Council is required to provide information in relation to future costs, revenue requirements and prices for an additional year of the determination period. Council is requesting a 4-year determination period and therefore the submission will show 5 years of projected data.
- Some totals may not appear to add precisely due to rounding.

2.2 IPART's information requirements

Table 1 presents IPART's submissions requirements, based on the November 2020 Guidelines for Water Agency Pricing Submissions. It is intended to provide a guide to where relevant requirements or questions are addressed.

Table 1 IPART's Submission Guidelines checklist

Item No.	IPART Guidance	Reference
1	Pricing submission checklist	
2	Summary and performance requirements	
2.1	Executive summary	Proposal Summary
2.1	A plain English summary	Provided
2.2	Council's role and functions	Technical Paper 10
2.3	Council's performance over the current determination period <ul style="list-style-type: none"> • Service levels • Sales volumes and customer connections • Historical revenue (data presented in nominal \$) • Historical operating expenditure (data presented in nominal \$) <ul style="list-style-type: none"> ○ Totals or comparisons in real \$ of the year stated in the SIP letter • Historical capital expenditure (data presented in nominal \$) <ul style="list-style-type: none"> ○ Totals or comparisons in real \$ of the year stated in our SIP letter from IPART • Implementation of current determination under section 18(5) of the IPART Act 	Technical Paper 2 Technical Paper 7 Technical Paper 6 Technical Paper 5 Technical Paper 4 Technical Paper 4, 5 & 6
2.4	Standards of service <ul style="list-style-type: none"> • Service levels for the next determination period (includes quantity, quality and scope) 	Technical Paper 2

3 Key building block inputs		
3.1	<p>Forecast operating expenditure</p> <ul style="list-style-type: none"> • Business case for proposed five years of operating expenditure • Five years of future operating costs by service • Operating expenditure is in \$2020-21 real \$ as nominated in the SIP letter • Drivers, justification and service levels • Approach to allocation of common or shared costs • Forecasting methodology, risks, rationale and assumptions • Potential efficiency gains 	Technical Paper 5
3.2	<p>Forecast and historical capital expenditure</p> <ul style="list-style-type: none"> • Business case for proposed capital expenditure • Five years of future capital expenditure by service • Long term investment plan of at least 10 years Capital expenditure is in \$2020-21 real \$ as per SIP • Drivers, justifications and service levels • Forecasting methodology, rationale, assumptions and risks • Key assumptions underlying forecasts and identified risks • The relationship between forecast capital and operating expenditure 	Technical Paper 4
3.3	<p>Proposed Regulatory Asset Base (RAB), Weighted Average Cost of Capital (WACC), depreciation and asset lives</p> <ul style="list-style-type: none"> • Total RAB for each year of the determination, RAB by service and/or service area and supporting calculations • Proposed WACC, WACC components and supporting analysis • Proposed allowance for return on capital • Outline of proposed depreciation method • Proposed asset lives • Proposed allowance for regulatory depreciation (return of capital) • Historical and forecast capital contributions <p>Asset disposals</p> <ul style="list-style-type: none"> • Asset disposals, by type and year 	Technical Paper 6

	<p>Working capital and tax allowances</p> <ul style="list-style-type: none"> Working capital allowance and supporting information Forecast tax depreciation with written explanation of estimation method Historical and forecast (non-cash) asset contribution Cash contributions (DSP and grants) 	
4	Forecast sales volumes and customer numbers	
	<p>Sales volumes</p> <ul style="list-style-type: none"> Forecast sales volumes by year and service Methodology to calculate forecast sales <p>Customer numbers</p> <ul style="list-style-type: none"> Forecast customer numbers by year and service, customer type, dwelling type and meter size Forecast methodology <p>Evidence to support drought forecasts (if applicable)</p>	Technical Paper 7
5	Proposed prices and impacts	
	<p>Proposed prices</p> <ul style="list-style-type: none"> Proposed tariffs for each service over the next five years (real \$) year as stated in SIP Proposed miscellaneous fees and services including methodology <p>Impacts of proposed prices</p> <ul style="list-style-type: none"> Indicative prices and bill impacts for the last year of the current determination and all forecast prices and bills in \$ of the first year of the new determination (\$2022-23) Any transitional arrangements to manage or mitigate price changes Any rebates or other measures to mitigate price impacts Other impacts and matters Analysis of affordability Financial impacts on your agency 	<p>Technical Paper 8</p> <p>Technical Paper 9</p> <p>Technical Paper 8</p>

	Customer consultation <ul style="list-style-type: none"> Details of customer engagement and how it has informed the price proposal 	Technical Paper 1
6	Recycled water	
	Recycled water <ul style="list-style-type: none"> Recycled water expenditure for 5 years Evidence that costs are ring fenced Supporting information for any proposed cost offsets 	Technical Paper 9
7	Discretionary expenditure	
	Not applicable	
8	Additional considerations	
	Unregulated costs and revenue <ul style="list-style-type: none"> Ring-fencing of unregulated revenue and costs Outstanding issues from previous determination <ul style="list-style-type: none"> Explanation of outstanding issues from previous determination and how they have progressed Determination length <ul style="list-style-type: none"> Proposed length of the determination period Other issues 	Technical Paper 9 Proposal Summary Technical Paper 3
9	Quality assurance requirements	
	Quality assurance requirement and CEO's Declaration <ul style="list-style-type: none"> QA check has been performed CEO declaration 	About the submission Proposal Summary

2.3 IPART'S 2020 Submission Information Package

In addition to the standard information required for the 2022 price review, IPART has also asked Council to address specific issues. Listed in Table 2 are additional items that IPART has requested Council address in its Price Submission.

Table 2 - Additional items to be included in Council's submission

Item no#	IPART Guidance	Reference
Changes to Price structures	Implementation of prices gradually over several years when proposing significant changes to how water, wastewater and stormwater prices are structured. Having a transition period for large price changes is important to mitigate the impact on affected customers.	Technical papers 8 and 9 Proposal Summary
Better information on the costs of providing wastewater & trade-waste services	Recommendation that Council collect better information on the cost of providing its wastewater and trade-waste services, including how they vary across catchments. This is important to set cost-reflective prices. It is recommended that Council collect the following information: Current & forecast treatment volumes Total treatment capacity of each catchment Total costs of treating wastewater and trade-waste Operating and capital costs that vary at the margin Augmentation options and their expected timing and capital costs	Proposal Summary
Asset lives and disaggregation of the councils RAB	It is recommended that council further analyse the economic lives of its water, wastewater and stormwater assets. This would allow the councils RAB to be better disaggregated into asset classes that more closely reflect the underlying economic lives of its assets, promoting more cost-reflective prices and supporting the council's financial sustainability.	Technical Paper 6 Proposal Summary
Customer engagement	It was recommended that council take steps to improve its engagement with customers. This is because it was found	Technical Paper 1 Proposal Summary

Item no#	IPART Guidance	Reference
	<p>that council's consultation for 2018-19 was not sufficiently representative. It was identified that there was a lack of customer awareness about Councils proposed stormwater prices, and it was not clear that proposed price changes were communicated clearly enough to elicit an informed view from customers. In addition, councils' proposed expenditure programs and capital works could be better informed by customer preferences willingness to pay to maintain assets to a certain quality. There is also an expectation that council undertake in-depth, informed consultation with customers in proposing its approach to wastewater prices in this price review.</p>	
Submission guidelines	It was recommended that Council consult "Guidelines for Water Agency Pricing Submission in preparing future pricing submissions.	About the submission
Efficiency savings from the merger of the former Gosford and Wyong Councils	We indicated that we expect the council to identify, and quantify, its efficiencies as a merged entity ahead of the next price review.	Technical Paper 5
Water demand forecasts	The 2018-19 price review, the councils baseline demand forecasts reflected average climate conditions. The Institute of Sustainable Futures recommended that for the next forecast, the council apply a climate correction model to avoid bias due to extended dry or wet periods.	Technical Paper 7
Low impact stormwater category	<p>It was requested that council:</p> <p>Publish the application process for eligibility for the low-impact charge on its website by 1 July 2019</p> <p>Inform customers who are billed area based charges that they maybe eligible for the low impact price, and where they can access information about the application process.</p>	Technical paper 2

Item no#	IPART Guidance	Reference
Funding of stormwater services	It was defined by IPART that there is a sound economic rationale that stormwater charges should be part of Councils general rates and not levied separately with water & wastewater services. In 2018-19 price review council committed to investigating alternative funding sources for stormwater drainage services during the upcoming determination period.	Proposal Summary
Prices for trade waste services	In 2018-19 Marsden's Jacobs Associates (MJA) to advise in IPARTs review of miscellaneous prices did not include a share of Council's overhead costs. A decision was made to accept councils proposed prices without allocation of overhead costs, with the expectation that more accurate estimates of overhead costs will be available for the next review period.	Technical Paper 9
Output measures	In the 2018-19 price review, the councils proposed output measures were developed from its national performance reporting requirements and not in tandem with customer consultation on service levels and its capital program. In the final report it was recommended the council develop output measures that closely relate to the outputs its plan to deliver through its capital program for the next period.	Technical Paper 2
Additional issues		
Price for bulk water transfers to Hunter Water	Council and Hunter water should consider using the LRMC rather than the SRMC for setting the transfer price. Issues for council to address: What in Councils view is the best methodology for setting the maximum price for bulk water transfers between Hunter Water & council (and vice versa) What si council view on whether IPART should update the Bulk water transfer price determination as part of the 2021-	Technical Paper 3

Item no#	IPART Guidance	Reference
	22 price review, given the provision for an unregulated pricing agreement	
Efficiency carryover mechanism	<p>In 2018-19 price review, it was decided to introduce an efficiency carryover mechanism (ECM) to apply to councils operating expenditure. This allows council to retain permanent reductions in controllable operating expenditure for three years (regardless of when it is realised). Council will need to include efficiency savings and demonstrate these are permanent efficiency improvements. IPART will assess the efficiency gains and the level of funds to be carried forward.</p> <p>Issue for council to address: Is council proposing any carryover of operating expenditure gains realised in the current determination period</p>	Technical Paper 6 Proposal Summary
Climate Change Fund true up	<p>In 2019 price determination, a decision was made not to include a Climate Change Fund pass through mechanism. IPART stated whether it was necessary to apply a true up as part of the next review of the council's prices if the Minister made a contribution order during the determination period, and this was not funded through other means or subsequently reimbursed.</p> <p>Issue for council to address: Was the council required to make contributions to the Climate Change Fund over the 2019 determination period?</p>	Proposal

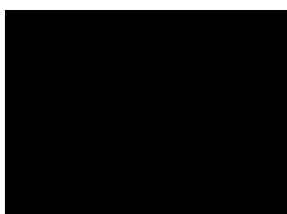
Appendix A - CEO declaration



10 September 2021

In accordance with the Guidelines for the Water Agency pricing submission of the Independent Pricing and Regulatory Tribunal of NSW I declare that:

The information provided in Council's pricing proposal submitted on 10th September 2021 is the best available information of the financial and operational affairs of Central Coast Council and has been checked in accordance with the guidelines and there are no circumstances of which I am aware that would render the information provided to be misleading or inaccurate.



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