



Review of Central Coast Council water prices – Prices and bill impacts

Information Paper

May 2022

Water >>



Tribunal Members

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The Independent Pricing and Regulatory Tribunal (IPART)

Further information on IPART can be obtained from [IPART's website](#).

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present and emerging.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

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1 Customers should pay no more than needed for safe and reliable water services

IPART sets the maximum prices Central Coast Council can charge its customers for the water, wastewater and other services provided by it as a Water Supply Authority.

IPART also sets the maximum percentage by which Central Coast Council may increase its general income each year through the local government rate peg or special variations.

To ensure it is clear which of Central Coast Council's responsibilities IPART is referring to, throughout this report:

- we refer to the Central Coast Council's functions as a Water Supply Authority under the *Water Management Act 2000* as '**CCC Water**'
- we refer to the Central Coast Council's local government functions under the *Local Government Act 1993* as '**the council**'.

Further information is available in our [Technical Paper – Regulatory background](#).

IPART has reviewed and set the maximum prices CCC Water can charge its customers for water, wastewater and other water-related services in the 4 years from 1 July 2022 to 30 June 2026.^a Our review only considered prices and costs related to CCC Water. It did not consider those related to the council's general activities for which it charges local government rates, levies and other charges.^b

Our review found that CCC Water must increase its spending on water-related services so that it can meet customers' service quality expectations and its regulatory and legal obligations, both now and into the future. To enable this higher spending, prices must also rise. This paper discusses our pricing decisions and their impacts on customer bills.

Last time we reviewed CCC Water's prices in 2019, we did not allow its proposed price increases as we were not satisfied that customers were getting the level of service they were paying for. CCC Water had for several years spent less on operating costs than we had previously forecast it would need to spend when we set its prices in the past. It did not provide evidence to justify that it needed more money and therefore higher prices than we determined were necessary to provide its water services efficiently. It also wasn't clear that its service levels were declining.

Now there is new information that indicates CCC Water needs to spend more and prices need to increase so that it can maintain its infrastructure and improve water services for its customers.

^a As part of our review we must consider certain matters under the *IPART Act 1992 (NSW)* – detailed information is available in our [Technical Paper – Regulatory background](#).

^b IPART can also review increases to the council's income from rates, but this is a separate review through the special variation process

We reviewed CCC Water's performance and costs and looked at what CCC Water's costs should be, based on the costs of a reasonably efficient water business. We set prices to ensure that customers pay no more than necessary for their water services.

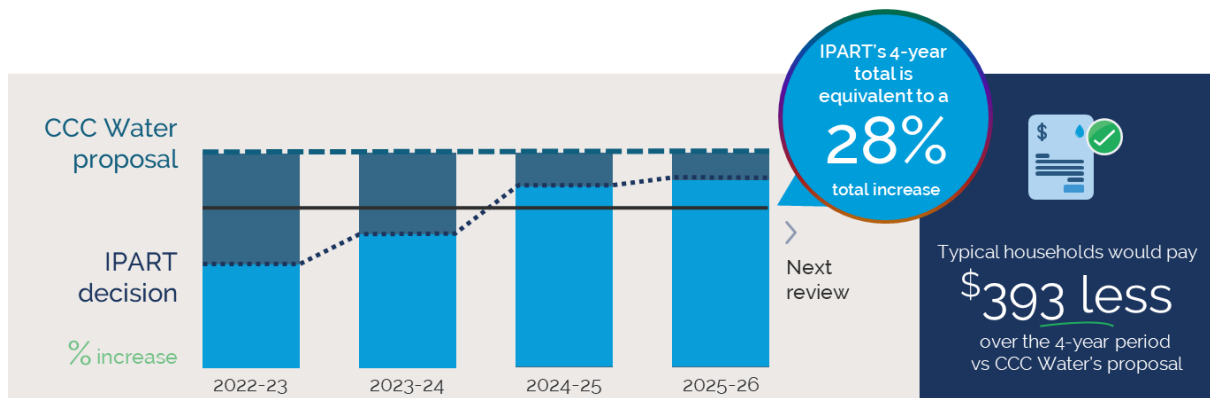
1.1 Prices will increase in stages so customers have more time to manage bill impacts

In making our decisions on prices, we considered several different price paths and aimed to balance community concerns about affordability with the need to ensure CCC Water has enough income to meet its obligations and service standards and improve services over time.

Based on community feedback and to allow customers more time to manage the impacts on their bills, we decided to set the prices so that prices for water and wastewater services increase in stages over the 2022 determination period rather than all in one go on 1 July 2022.

For typical households, the bill impacts of the prices we have set are lower, with more gradual increases than those under CCC Water's pricing proposal. This is because we set prices to recover our finding on CCC Water's efficient costs, rather than its forecast costs (see our [Information Paper – Operating and capital costs](#) for more detail).

The maximum prices we have set would increase typical household bills^c for water, wastewater and stormwater services on average by 17% in 2022-23, and then by 6%, 8% and 1% in the next 3 years. Our pricing decisions allow CCC Water to collect the same amount of money from customers over 4 years as if we had decided to allow a one-off increase of 28% for 2022-23. This is lower than the one-off increase of 37% proposed by CCC Water.^d



^c A typical household bill is based on a household living in a house, with a water usage of 170 kilolitres (kL) a year.

^d In our Draft Report, we reported our draft pricing decisions as equivalent to a one-off 25% increase in typical household bills and that CCC Water's proposal would increase these bills by 35%. The increase under CCC Water's proposal was initially referred to as 34% in its proposal and our Issues Paper. These figures were based on the most up-to-date inflation data at the time. As both our draft pricing decisions and CCC Water's proposal were subject to changes in inflation, we have since updated our final prices and CCC Water's proposal to reflect the recent increases in cost inflation from 2.9% to 4.2%, and price inflation from 3.2% to 5.1% (as at March 2022).



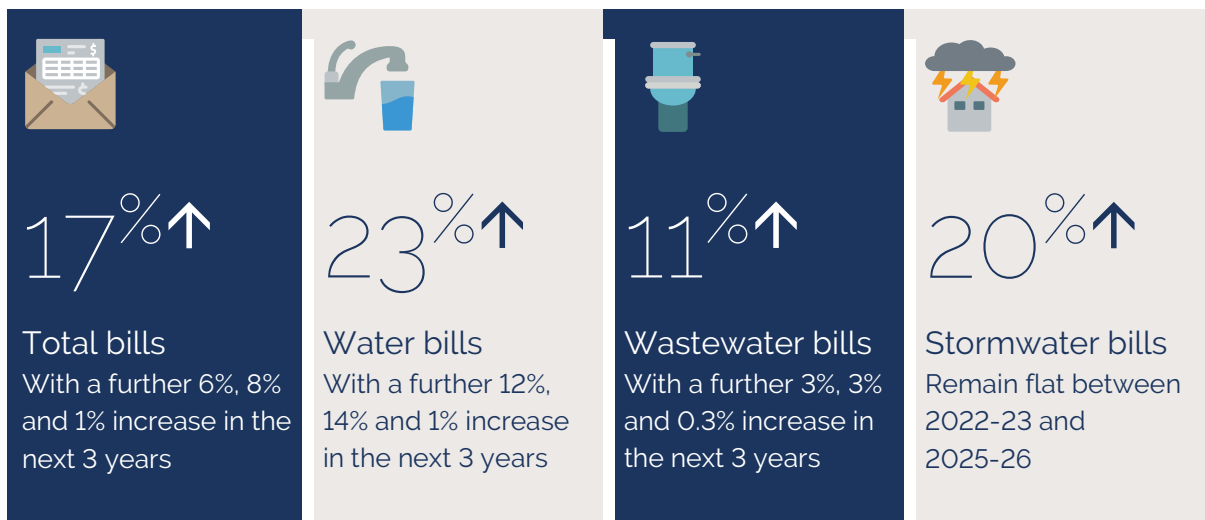
Use our **bill calculator** to find out how prices from 1 July 2022 for CCC Water will affect your bills.

Recent increases in inflation have resulted in the overall bill impacts of our final prices being slightly higher than our draft prices.^e More information on how inflation has affected our final decisions on operating costs and prices is in our [Final Report Summary](#).

In response to community feedback on our Draft Report and considering recent increases in the cost of living and ongoing impacts of the COVID-19 pandemic, we also moved more of the water and wastewater price increases from the first year of the 2022 determination period to the second and third years. This helps reduce customer bill impacts in the first year, particularly for pensioners, giving customers more time to manage the impacts of the price increases.

Our cost and pricing decisions lead to necessary price increases

Our decisions on CCC Water's costs and prices result in prices and bills that are higher than current prices and bills. Price increases will start from 1 July 2022 and occur each year until 2025-26.



Note: Bills presented are for a typical household. Prices and bills for 2023-24 to 2025-26 will also increase each year in line with inflation.

We more gradually spread the increase in the water service charge

We accepted CCC Water's proposal to increase the water usage price by 10% to \$2.31/kilolitre (kL) in the first year of the 2022 determination period, with no further increase apart from inflation.

^e However, this has been partially offset by a decrease in the weighted average cost of capital (WACC). (see our [Technical Paper – How we set the revenue level](#) for more detail).

We have set the yearly water service price to increase by around 78% in the first year (compared to the 180% increase proposed by CCC Water), then increase in stages over the next 3 years (by 41%, 40% and 2%).

We also considered shifting more of the water service price increase to the water usage charge, as suggested by some stakeholders. However, our analysis found this would result in only a very small reduction in the service charge, and bills for some customers with very low water usage (less than 63kL/year), but would increase bill impacts for most other customers, in particular large families and renters. This may also impact customers with low household incomes, as these households may not necessarily use less water.¹

We aligned wastewater prices across the former Gosford and Wyong LGAs

We accepted CCC Water's proposal to increase the wastewater usage price by 10% to \$0.96/kL in 2022-23, with no further increase apart from inflation. We have also aligned yearly wastewater service prices across the former Gosford and Wyong local government areas (LGAs), as CCC Water proposed. However, our service price increases are lower and more gradual than CCC Water proposed.

We intend this to be the last time we set stormwater prices

Stormwater prices will increase by 20% in 2022-23, with no further increase apart from inflation. This is substantially less than CCC Water's proposed 73% increase. This is largely because we have not accepted its proposal to transfer \$15.5 million in stormwater costs currently funded through local government rates to the Water Supply Authority.

We also intend this pricing review will be the last time we set stormwater prices. We consider all costs for stormwater services should be fully funded by local government rates from 1 July 2026. This is because in our view, these services provide benefits to the whole community – not just specific customers.^f

1.2 Typical yearly bills would increase by 17% in 2022-23, then by 6%, 8% and 1% in the next 3 years

Our decisions on prices would lead to increases in typical household bills by:

- 17% (\$183) from \$1,058 in 2021-22 to \$1,242 in the first year
- 6% (\$80) to \$1,321 in the second year
- 8% (\$106) to \$1,427 in the third year
- 1% (\$9) in the fourth year of the determination period.

However, bill impacts would vary across customers, depending on a number of factors including whether they are household or business customers and how much water they use.

^f More information is presented in our *Information Paper – Funding stormwater services* and our *Information Paper – Operating and capital costs*.

Under our pricing decisions, in 2022-23 typical CCC Water households would pay the:

- lowest bill compared to typical households serviced by other water utilities in NSW including Hunter Water and Sydney Water
- third lowest bill compared with other major utilities in Australia in 2022-23.^{g,2}

As the prices we have set for CCC Water increase from 2022-23 over the determination period, typical CCC Water bills would move away from being the lowest bill across the period, but still remain comparatively low across NSW. By 2025-26, typical CCC Water bills would be higher than both Hunter Water and Sydney Water bills by 3% and 16% respectively, would be the twentieth lowest bill compared to other typical water and wastewater bills in NSW and the tenth lowest bill, compared to those of other major Australian water utilities.^h

Under our pricing decisions, for typical households with median incomes, water, wastewater and stormwater bills would represent 1.8% of their yearly income on average over the 4 years, as bills return to levels similar to those under the 2013 Determination (adjusted for inflation).

1.3 We strengthened our recommendations to help address affordability concerns

The Central Coast is in the top 40% when all NSW communities are ranked in terms of socio-economic advantage. However, socio-economic circumstances vary widely across the Central Coast with Wyong ranked in the top 10% of communities with the most disadvantage.³

In community feedback, people told us they had previously considered the Central Coast to be an affordable place to live and were concerned about the changes to the cost of living.

We looked at water and wastewater bills in Gosford and Wyong since 2006-07 and the proportion of these bills to household incomes in Gosford and Wyong over time. Water bills as a proportion of income have remained steady since 2006-07, reducing somewhat in 2016-17. Although water bills as a proportion of income is beginning to return to levels prior to 2016-17, we consider there are likely to be other factors affecting the level of affordability on the Central Coast. We acknowledge that the impacts of recent events such as bushfires, COVID-19 and local government rates increase can affect affordability in the region.

We consider that the bill increases are necessary to ensure that CCC Water can deliver the services its customers expect. However, we have heard from the community that some customers, such as single pensioner households, could face affordability issues, particularly considering recent cost of living increases and ongoing impacts of the COVID-19 pandemic. For example, our analysis shows that bills could represent around 3.9% of a single pensioner household's income in the first year of the 2022 determination period compared with 1.6% of a typical household.

^g We did not consider stormwater bills when comparing residential bills across utilities.

^h This assumes that prices for other utilities would not change across the CCC Water determination period. CCC Water's bills would have the twentieth lowest bill out of 89 other typical water and wastewater bills in NSW and the tenth lowest bill out of 15 other major Australian water utilities.

In response to feedback on our Draft Report, we have strengthened our recommendations to address this issue by recommending that the NSW Government undertake a comprehensive state-wide review of:

- pensioner concessions for water and wastewater services to assess their adequacy
- guidelines for water utilities on customer hardship protection to better assist for vulnerable customers.

We have also updated our recommendations for CCC Water to:

- develop a targeted affordability strategy to better address the needs of the community to help them manage bill impacts
- promote its assistance programs and water conservation to help customers pay for increased bills.

We also recognise that with increases to CCC Water's spending and prices, it is crucial that CCC Water is more accountable to the community and is transparent about how it spends this money to improve services. We address this issue in our *Information Paper – Improving performance*.

Our decisions are:

1. To increase water and wastewater prices in stages over the 2022 determination period rather than increasing them in one go from 1 July 2022.
2. To set maximum water prices for CCC Water as shown in Table 3.1 in our *Information Paper – Prices and bill impacts*, including to set the maximum water usage price at \$2.31 per kilolitre in real terms over the 4-year determination period from 2022-23 to 2025-26.
3. To set maximum wastewater prices for CCC Water as shown in Table 3.2 and Table 3.3 in our *Information Paper – Prices and bill impacts*, including to set the maximum wastewater usage price at \$0.96 per kilolitre in real terms over the 4-year determination period from 2022-23 to 2025-26.
4. To align wastewater prices so that customers in the former Gosford local government area pay the same as equivalent customers in the former Wyong local government area.
5. To set maximum stormwater prices for CCC Water as shown in Table 3.4 in our *Information Paper – Prices and bill impacts*, for the 2022 determination period from 2022-23 to 2025-26.

Our recommendations are:

1. That the NSW Government undertakes a comprehensive state-wide review on:
 - the current pensioner concessions for water and wastewater services
 - broader guidelines for water utilities on customer hardship protection to better assist vulnerable households.
2. That CCC Water:
 - develop and implement a targeted assistance strategy to proactively address the needs of the community
 - further promote its hardship assistance programs and water conservation to assist customers to manage paying for their increased water bills.

A complete list of our Final Report decisions and recommendations is available in our [Final Report Summary](#). This includes our decisions on trade waste and miscellaneous services and specific customers including retirement villages, 2 WICA licensees (Narara Ecovillage and Solo Water at Catherine Hill Bay) and Hunter Water-Central Coast bulk water transfers. Our decisions and further information on these prices are set out in our [Technical Paper – Trade waste and other prices](#).

2 We heard the community's affordability and financial hardship concerns

CCC Water proposed substantial price increases that would increase typical household bills by 37% on average in the first year, and then by inflation after that.ⁱ It argued it needs to increase prices to ensure it can provide water services that meet its customers' expectations now and into the future.

Most feedback to our Issues Paper and Draft Report raised serious concerns about the impacts of CCC Water's proposed price increase and our draft pricing decisions on affordability and financial hardship. Many people are worried about worsening financial circumstances across the community brought about by:

- the COVID-19 pandemic (reduced hours and unemployment)
- bushfires
- the recent increase in local government rates
- recent increases in the cost of living due to inflation and interest rate rises.

Box 2.1 CCC Water's proposed prices would increase typical bills by 37%

CCC Water recognises its service quality and assets (e.g. dams, treatment plants) have been declining over time. There has been a recent increase in complaints about water quality and reported wastewater overflows. CCC Water is also finding it difficult to meet environmental protection requirements and drinking water standards.

In 2019-20, CCC Water made a large financial loss, coinciding with a decrease in prices from the last time we set prices. It considers it cannot meet the costs of providing good quality services or improve service levels in the long run without increasing its prices.

CCC Water proposed to use the additional money it earns through higher prices to better and more proactively maintain its assets (e.g. dams and pumps) and replace old or worn-out infrastructure (e.g. water pipes and wastewater treatment components). CCC Water considers this would improve service standards and reduce the risk of unplanned interruptions in the future.

Note: When we last set prices in 2019, we reduced CCC Water's proposed total costs by \$18 million (10%), \$12 million of which was on day-to-day operating costs. Although these costs were relatively modest compared to other utilities, we did not consider it provided enough evidence to justify them. We were not satisfied that customers were getting the level of service they were paying for. CCC Water had not spent money it had collected from its customers on its water services.

Source: CCC Water, *pricing proposal to IPART*, September 2021, p 17; IPART, *Review of Central Coast Council's water, sewerage and stormwater prices – Final Report*, May 2019, pp 25 and 30.

ⁱ In our Draft Report we reported this increase as 35%. This has now been updated for inflation.

2.1 The majority of stakeholder submissions raised affordability concerns



Our Issues Paper survey received over 1,000 responses and showed:

- 24% would not be able to afford CCC Water's proposed increase and would require hardship assistance to pay for their bills
- 26% would not be able pay their bill on time and would have trouble managing their budget
- 29% were not sure whether they would be able to pay for the proposed bill increases and would have to reprioritise their budget
- 89% prefer prices to increase gradually if needed

Source: IPART, *Thank you for your response to our survey on Central Coast water prices*, 16 December, 2021.

We also received 83 survey responses to our Draft Report survey which indicated similar concerns about affordability given our draft prices.

Many submissions to our Issues Paper and Draft Report mentioned personal financial situations. Many responders said they were either pensioners on fixed incomes or disability pensions, or low-income earners struggling financially. Others were concerned about increased homelessness and the potential for renters to be impacted through higher water prices passed on from landlords resulting in higher rent prices.

Several submissions to our Draft Report also noted that the historically low cost of living on the Central Coast was their reason for moving to the area but it was no longer affordable.⁴

In response to our Issues Paper, the community also expressed a preference for the price increase, if needed, to happen gradually as they felt this might minimise the bill impacts over the determination period. The Public Interest Advocacy Centre (PIAC) also preferred a gradual price change to reduce shock to consumers.⁵

In response to our draft decision to introduce the price increase in stages via an initial moderate increase then smaller increases in the following years, PIAC suggested smoothing the bill increases more evenly over the determination period to reduce the increases in the first year. PIAC also suggested re-evaluating the balance of water usage and service charges, to recover more from usage charges and less from service charges. It considers that recovering significant cost increases from fixed charges unreasonably impacts small users and groups who experience affordability issues.⁶

2.2 Pricing concerns were also raised about performance, inadequate services and stormwater services

The community also expressed concerns about the fairness of CCC Water's proposed price increase. This was largely because of poor public perception of the council and CCC Water's performance, service levels and quality, and the independent Public Inquiry into the council's financial management. This is covered in our *Information Paper – Improving performance*.

Community feedback also showed concerns about paying higher prices for services that customers felt were inadequate or non-existent. Some also expressed concerns about having to pay for services they do not receive when, for example they manage their own wastewater through septic tanks.

Under the 2022 Determination, if you are not connected to CCC Water's water or wastewater services, you should not pay for these services. We encourage you to contact CCC Water or the NSW Ombudsman, if you believe that you are being billed for CCC Water services that you are not connected to:^j

If you believe that you are being incorrectly billed for CCC Water services that you are not connected to, please contact
CCC Water or the NSW Ombudsman.

^j Under our current Sydney Water and Hunter Water determinations, customers of these utilities do not pay for water and wastewater services they are not connected to. Under the *Water Management Act 2000 (NSW)*, a Water Supply Authority may notify a customer that a water or wastewater main has become available for connection and, if the landholder does not make a connection within 21 days, make the connection at the expense of the landholder. Once connected, the property will be liable to pay for the service(s). Local government water utilities may generally, under the *Local Government Act 1993 (NSW)*, levy a special rate or charge to land situated within 225 metres of a water pipe and 75 metres of a wastewater pipe even where the land is not actually supplied with water.

People also submitted concerns about stormwater drainage services, such as the lack of kerb and guttering in residential streets and water that drains slowly. Responders from the rural community voiced concerns about having to pay for stormwater drainage and that it would be unfair to pay for services they are responsible for. Responders explained the work done by farmers to manage stormwater and its importance for growing food and fibre. In this review, we have decided that stormwater services should be fully funded by local government rates and not by CCC Water stormwater prices. This is because stormwater services provide benefits to the whole community - not just to the individuals who pay stormwater bills. We have made decisions that may affect who would pay for stormwater in the future and how. More information is provided in our [Information Paper – Funding stormwater services](#).

3 Prices will increase in stages so customers have more time to manage bill impacts

In making our decisions on prices, we considered several different price paths and aimed to balance community concerns about affordability with the need to ensure CCC Water has enough income to meet its obligations and service standards and improve services over time.

Currently, there are 2 types of prices for CCC Water's services:

1. **Usage charges** for water and wastewater^k services. These are consumption-based charges, and how much you pay depends on how much water you used and how much wastewater you produced over the billing period.
2. **Service charges** for water, wastewater^l and stormwater drainage services. These are fixed charges, which you pay for each service you received over the billing period. Currently, the wastewater service charges customers pay are different depending on whether the customer is in the former Gosford or Wyong local government area.

We have accepted CCC Water's proposal to largely maintain the current price structures and to align wastewater prices so that customers pay the same charges across the former Gosford or Wyong LGA.

As set out in our *Information Paper – Operating and capital costs*, our review has found that CCC Water needs to spend more to maintain and improve water services. We consider price increases are necessary so that the community receives the water services it expects. Our decisions on costs and prices result in price increases, with increases to service charges larger than increases to usage charges.

3.1 We set lower and more gradual price increases than CCC Water proposed

Based on community feedback and to allow customers more time to manage the impacts on their bills, we decided to set CCC Water's prices so that prices for water and wastewater services increase in stages over the 2022 determination period rather than all in one go on 1 July 2022.

^k The wastewater usage charge for households is based on deemed discharge allowances (125 kL for houses and 80 kL for apartments). Our decisions on deemed discharge allowances are set out in our *Technical Paper – Demand for water services*.

^l The wastewater service charge is calculated with reference to a customer's water meter size and a discharge factor to account for the fact not all metered water is discharged into the wastewater system. For households this is a 20mm service and 75% discharge factor. For businesses the service charge is based on a 20mm equivalent and the discharge factor depends on the business. Our decisions on discharge factors are set out in our *Technical Paper – Demand for water services*.

For typical households, the bill impacts of the prices we have set are lower, with more gradual increases than those under CCC Water's pricing proposal. This is because we set prices to recover our finding on CCC Water's efficient costs, rather than its forecast costs (see our *Information Paper – Operating and capital costs* for more detail). From 1 July 2022:

- The water usage charge will increase by 10% in the first year, then by inflation only, while the water service charge will increase by 78% in 2022-23, then by 41% in the second year, 40% in third year and 2% in the fourth year (plus inflation). This is compared to a 180% one-off increase under CCC Water's proposal.
- Household wastewater charges will increase by 11% (on average) in 2022-23, then by 3% in the second year, 3% in the third year and 0.3% in the fourth year (plus inflation). This is compared to a 25% on average one-off increase under CCC Water's proposal.
- Stormwater charges will increase by 20% in 2022-23, then remain flat, increasing only by inflation each year after that. This is compared to a 73% one-off increase under CCC Water's proposal.

The maximum prices we have set would increase typical household bills^m for water, wastewater and stormwater services on average by 17% in 2022-23, and then by 6%, 8% and 1% in the next 3 years. Our pricing decisions allow CCC Water to collect the same amount of money from customers over 4 years as if we had decided to allow a one-off increase of 28% for 2022-23. This is lower than the one-off increase of 37% proposed by CCC Water.

In setting water, wastewater and stormwater prices to recover CCC Water's efficient costs, we consulted on whether we should apply any required price increase immediately in 2022-23 or apply it gradually over the 4-year determination period.

We received over 1,000 responses to our Issues Paper survey, with 89% of these indicating a preference for any price increase to occur gradually. In its submission to our Issues Paper PIAC also considered that smoothed transitions would be preferred by the community.⁷

We also consulted on our draft price path which would have increased typical bills by 19% in the first year and then on average by 4% each year over the following 3 years (plus inflation). Our Draft Report survey had a much lower response rate, but of those that did specify a price path preference, the majority also preferred a gradual price increase (15 out of 27 responses).

In response to our Draft Report, PIAC commented that bill impacts in the first year of the 2022 determination period should ideally be minimised to help customers given the current context (e.g. the ongoing COVID-19 pandemic and recent cost of living increases).⁸

^m A typical household bill is based on a household living in a house, with a water usage of 170 kilolitres (kL) a year.

We considered all feedback and several price path options for increasing prices over the determination period. Overall, we found that:

- An immediate full price increase would mean a very steep 28% increase to household bills in the first year of the determination. Although bills would then only increase by inflation over the following 3 years, the bill impact in the first year would be large and may be difficult for some customers to manage all at once.
- A more evenly staged increase across the determination period would mean that while customers would pay lower bills in the first year, they would pay much higher bills in the last year of the determination, 45% more than current bills, to compensate for CCC Water earning less in the earlier years. The bill in the final year would also be higher than what CCC Water proposed.

In making our final pricing decisions, we adjusted our draft price path to further ease bill impacts in the first year of the 2022 determination period by moving more of the price increase from the first year of the period to the second and third years.

We consider our price path for water and wastewater prices which increases in stages best balances minimising overall bill impacts for customers, particularly in the first year of the determination, while ensuring CCC Water recovers its required revenue in each year of the period. Compared to our draft prices, our final price path decisions also help reduce the bill impacts for pensioner households, who are likely to face greater impacts from the price increase in the first year of the determination compared with other households.

However, we set stormwater prices such that they rise in the first year (by 20%), with no further increase (apart from inflation) across the determination period. If we set stormwater prices to rise in stages, bills would be the highest in the last year of the determination period which would allow CCC Water to earn more than it needs in the final year to compensate for earning less than it needed in the earlier years of the determination period. We consider this would be out of step with our intention to make clear to the council that we do not intend to set stormwater charges for CCC Water in the next determination.

We also note that this review sets prices to 30 June 2026. We plan to review CCC Water's costs again, ahead of the next determination (scheduled for 2026-27) and set prices to ensure that customers pay no more than needed for their water services.ⁿ

3.2 We accept CCC Water's proposed water usage price of \$2.31/kL

Our decisions on CCC Water's water usage and water service prices are set out in Table 3.1.

We have decided to accept CCC Water proposed increase in the water usage price and set it to \$2.31/kilolitre (kL), which is 10% higher than the current price.

ⁿ The 2025-26 prices we have set as part of this review, are not a baseline for the next review and determination period. Prices from 2026-27 would be based on our assessment of our efficient costs at that time.

CCC Water based its proposal to increase this charge on its estimate of the long-term cost of supplying water, also known as the long run marginal cost (LRMC) of water supply, and considering customers generally prefer a larger portion of their water bill to come from water usage charges than from service charges.

Setting water usage prices with reference to LRMC helps to send signals about the appropriate level of water conservation and encourage CCC Water to adequately invest in its water supply infrastructure to meet the future needs of customers.

Our decision to increase the water usage price also prevents larger increases in water service charges, which would have greater impacts on customers that use smaller amounts of water (for example, households using less than 150 kL of water each year).

We reviewed CCC Water's modelling and \$2.31/kL estimate for the LRMC of water supply. We also used an alternative method to calculate the LRMC for CCC Water which we consider is likely to provide more stable and accurate estimates, is more resilient to modelling assumptions and helps avoid mismatches between costs and volumes of water produced. We identified some issues with how CCC Water estimated the LRMC, including that CCC Water's model considers the full costs of new capacity, but not the full benefits of the additional capacity, and ignores the benefit of spare capacity in the existing water supply system. We consider CCC Water's modelling leads to the LRMC being overestimated. Our alternate modelling suggests that CCC Water's LRMC of water supply is likely to be lower than CCC Water's estimate, at about \$1.50/kL. However, CCC Water's estimates are comparable to recent LRMC estimates for Sydney Water and Hunter Water.⁹

Like CCC Water's estimate, the estimates for Sydney Water and Hunter Water use a different method for calculating LRMC to our alternative method. We recognise that using an alternative method for calculating CCC Water's LRMC estimate and setting water usage prices is likely to have implications for LRMC estimates and water usage prices for Sydney Water and Hunter Water. As this is an issue relevant beyond CCC Water, we intend to consult on using our alternative method as part of a broader review of LRMC of water and wastewater supply, outside of this CCC Water review process.

Table 3.1 IPART decision on CCC Water's yearly water prices from 1 July 2022 to 30 June 2026 (\$2022-23)

	Current 2021-22 (\$2021- 22)	CCC Water proposed 2022-23 to 2025- 26	IPART decision			
			2022-23	2023-24	2024-25	2025-26
Usage price (\$/kL)						
All customers	2.10	2.31	2.31	2.31	2.31	2.31
Yearly change		10%	10%	0%	0%	0%
Service price (\$/year)						
Households	87.29	244.38	155.24	218.77	306.28	313.13
Yearly change		180%	78%	41%	40%	2%
Businesses						
20mm meter	87.29	244.38	155.24	218.77	306.28	313.13
Yearly change		180%	78%	41%	40%	2%
25mm meter	136.39	381.84	242.56	341.83	478.56	489.27
40mm meter	349.16	977.52	620.96	875.08	1,225.12	1,252.52
50mm meter	545.56	1,527.38	970.25	1,367.31	1,914.25	1,957.06
80mm meter	1,396.64	3,910.08	2,483.84	3,500.32	4,900.48	5,010.08
100mm meter	2,182.25	6,109.50	3,881.00	5,469.25	7,657.00	7,828.25
150mm meter	4,910.06	13,746.38	8,732.25	12,305.81	17,228.25	17,613.56

Note: Prices for 2023-24 to 2025-26 would also increase each year in line with inflation. Does not include retirement villages – prices for retirement villages can be found in our *Technical Paper – Trade waste and other prices*. Meter based charge is based on 20mm meter, using the formula: (meter size)² x 20 mm meter service price/400.

Source: CCC Water, [pricing proposal to IPART](#), September 2021, pp 87-91 and IPART analysis.

3.3 We more gradually spread the increase in the water service charge

We have set the yearly water service price to increase by around 78% in the first year (compared to the 180% increase proposed by CCC Water), then increase in stages over the next 3 years by 41%, 40% and 2% (plus inflation). Compared to our draft decision, this more gradually spreads the increase in the charge across the period, reducing bill impacts in the first year, giving customers more time to manage the bill impacts.

In response to our Issues Paper and Draft Report, some stakeholders, including PIAC raised concerns over the balance of water usage prices and fixed service prices. They argued that water usage prices should be increased, and service prices reduced to encourage water conservation, give customers greater control over their bill and reduce customer bill impacts, particularly for pensioners and low-income households.¹⁰

We considered shifting more of the water service price increase to the water usage charge. However, our analysis found this would result in only a very small reduction in the service charge, and bills for some customers with very low water usage (less than 63kL/year), but would increase bill impacts for most customers, in particular large families and renters. For most customers, the service charge reduction would be outweighed by the usage charge increase. This may also impact customers with low household incomes, as these households may not necessarily use less water.¹¹

For example, a usage price increase from \$2.31 to \$2.50, would mean the water bill for in the first year of the determination period for a:

- larger household using 250kL/year would increase by \$35 to \$768
- renter using 170kL/year would increase by \$32 to \$425 (renters only pay the usage charge and so do not benefit from a reduced service charge)
- typical household using 170kL/year would increase by \$20 to \$568
- single pensioner household with rebate using 81kL/year would increase by \$3 to \$258.

We also consider that increasing the water usage price to reduce the water service charge would not be in line with setting water usage charges with reference to the LRMC. Setting the usage price with reference to the LRMC signals to customers the efficient level of water usage, and to CCC Water the efficient level of investment in its water supply infrastructure to meet the needs of customers now and in the future. Higher fixed charges also reflect that most of the higher costs CCC Water expects to incur are fixed and do not vary with the amount of water its customers use.

However, compared to our draft pricing decisions, which would have seen water service charges double from 1 July 2022 driven by the increases in operating and capital costs, we have more gradually spread the price increase over the 2022 determination period. This helps reduce the bill impacts in the first year of the determination period, particularly for pensioner households, who are likely to face greater impacts from the price increase in the first year of the determination period compared with other households.

3.4 We aligned wastewater prices across the former Gosford and Wyong LGAs

Our draft decisions on CCC Water's wastewater usage and wastewater service prices are set out in Table 3.2 for household customers and Table 3.3 for business customers.

We accept CCC Water's proposed wastewater usage price of \$0.96/kL

We decided to accept CCC Water's proposed (10%) increase in the wastewater usage price and set it at \$0.96/kL for all customers. This price is set with reference to CCC Water's estimate of the short-term cost of supplying wastewater services (about \$0.50/kL), also known as the short run marginal cost (SRMC) of wastewater service supply.

We reviewed CCC Water's modelling and estimates for the SRMC of wastewater service supply and consider these provides reasonable estimates that are comparable to recent estimates for Sydney Water and Hunter Water.

While we set water usage prices with reference to the LRMC, there are various arguments for and against using SRMC rather than LRMC pricing when setting wastewater usage prices. Setting these prices with reference to the LRMC would signal the full cost of additional wastewater system capacity (including both the operating and capital costs over the longer term). This could improve price signals (and potentially encourage competition) and provide greater transparency around the avoided costs of recycled water schemes.

However, much of the investment made in wastewater infrastructure is due to the need to meet environmental standards rather than to increase capacity and is therefore not influenced significantly by changes in how much waste is discharged into the system. Household customer discharges are also unlikely to change in response to price changes, and the extent to which the need for additional capacity is driven by customer discharge – as opposed to the actual existence of a customer – is complex and unclear.

We aligned wastewater service prices for Gosford and Wyong LGAs

Currently, how much customers pay for receiving wastewater services depends on whether their household or business premises is within the former Gosford LGA or in the former Wyong LGA. Customers in the former Gosford area pay a slightly higher wastewater service charge than those in the Wyong area (by about 8% for households and by at least 10% for businesses).

We have decided to accept CCC Water's proposal to align wastewater services across former Gosford and Wyong LGAs and consider there is support from the community to do so. We consulted on CCC Water's proposal in our Issues Paper and Draft Report.

For residential customers in the former:

- Gosford LGA, the wastewater service price will increase by 7% in 2022-23, and by another 3% per year in the next 2 years, then by 0.3% in 2025-26.
- Wyong LGA, it will increase by 15% to 16% in 2022-23, and by another 3% per year in the next 2 years, then by 0.3% in 2025-26.

The majority of people who commented on the alignment of wastewater prices for former Gosford LGA and former Wyong LGA customers in response to our Issues Paper supported this. In response to our Issues Paper survey, 74% of responders told us they think Gosford and Wyong customers should pay the same wastewater prices.¹² The majority of responses to our Draft Report survey also supported aligning the wastewater service prices.

In response to our Issues Paper, PIAC also raised concern that the wastewater systems in Gosford and Wyong are not linked and may have different costs associated with them. We have investigated PIAC's concern and while the 2 areas do have somewhat different historic capital costs, they are more closely aligned than they are for water services.

Our decision to accept CCC Water's proposal and align these charges means Gosford and Wyong households and businesses will be subject to the same prices for wastewater services. Overall, our decision will lead to prices lower than those proposed by CCC Water.

However, it will result in a proportionately higher increase in prices for Wyong customers compared to Gosford customers in the first year of the determination period (16% on average for Wyong compared to 7% for Gosford), given that Wyong prices are currently set lower than Gosford prices.

For business customers, aligning the wastewater charges also requires us to align wastewater discharge factors, which impacts how much business customers pay. ° This puts downward pressure on the aligned wastewater service charge, but upward pressure on bills for Gosford non-residential customers.

Table 3.2 IPART decision on CCC Water's yearly wastewater prices for household customers from 1 July 2022 to 30 June 2026 (\$2022-23)

	Current 2021-22 (\$2021-22)	CCC Water proposed 2022-23 to 2025- 26	IPART decision 2022-23	2023- 24	2024- 25	2025- 26
Wastewater prices (\$/year)						
Houses – Gosford	524.74	631.37	563.78	579.83	598.22	600.08
Yearly change		20%	7%	3%	3%	0%
Houses – Wyong	488.34	631.37	563.78	579.83	598.22	600.08
Yearly change		29%	15%	3%	3%	0%
Apartments – Gosford	485.69	588.17	520.58	536.63	555.02	556.88
Yearly change		21%	7%	3%	3%	0%
Apartments – Wyong	449.29	588.17	520.58	536.63	555.02	556.88
Yearly change		31%	16%	3%	3%	0%

Note: Prices for 2023-24 to 2025-26 will also increase each year in line with inflation. A 75% discharge factor has been applied to all residential prices. These charges also include the deemed discharge component, which is 125 kL per year for houses and 80 kL per year for apartments. The percentage increases in this table have been rounded to the nearest whole number.

Source: CCC Water, [pricing proposal to IPART](#), September 2021, pp 90-92 and IPART analysis.

° More detailed information on our draft decisions relating to discharge factors is available in our [Technical Paper – Demand for water services](#).

Table 3.3 IPART decision on CCC Water's yearly wastewater prices for business customers from 1 July 2022 to 30 June 2026 (\$2022-23)

	Current 2021-22 (\$2021- 22)	CCC Water proposed 2022-23 to 2025- 26	IPART decision			
			2022-23	2023-24	2024-25	2025-26
Usage price (\$/kL)						
All customers	0.87	0.96	0.96	0.96	0.96	0.96
Yearly change		10%	10%	0%	0%	0%
Service charge (\$/year)						
Former Gosford LGA						
20mm meter	555.03	681.82	591.71	613.10	637.62	640.11
Yearly change		23%	7%	4%	4%	0%
25mm meter	867.24	1,065.34	924.55	957.97	996.28	1000.17
40mm meter	2,220.13	2,727.28	2,366.84	2,452.40	2,550.48	2,560.44
50mm meter	3,468.96	4,261.38	3,698.19	3,831.88	3,985.13	4,000.69
80mm meter	8,880.54	10,909.12	9,467.36	9,809.60	10,201.92	10,241.76
100mm meter	13,875.83	17,045.50	14,792.75	15,327.50	15,940.50	16,002.75
150mm meter	31,764.51	38,352.38	33,283.69	34,486.88	35,866.13	36,006.19
Former Wyong LGA						
20mm meter	506.50	681.82	591.71	613.10	637.62	640.11
Yearly change		35%	17%	4%	4%	0%
25mm meter	673.51	1,065.34	924.55	957.97	996.28	1,000.17
40mm meter	1,724.18	2,727.28	2,366.84	2,452.40	2,550.48	2,560.44
50mm meter	2,694.03	4,261.38	3,698.19	3,831.88	3,985.13	4,000.69
80mm meter	6,896.73	10,909.12	9,467.36	9,809.60	10,201.92	10,241.76
100mm meter	10,776.15	17,045.50	14,792.75	15,327.50	15,940.50	16,002.75
150mm meter	24,668.69	38,352.38	33,283.69	34,486.88	35,866.13	36,006.19

Note: Prices for 2023-24 to 2025-26 would also increase each year in line with inflation. All prices assume a discharge factor of 100%. CCC Water will apply each relevant customer's discharge factor on the prices it levies. For example, a discharge factor of 50% applied to the 40mm meter charge in Wyong in 2022-23 would result in a service charge of \$1,183.42.

Source: CCC Water, pricing proposal to IPART, September 2021, pp 90-92 and IPART analysis.

3.5 We set stormwater prices to increase by 20% and intend this to be the last time we set them

Our decisions on CCC Water's stormwater drainage prices are set out in Table 3.4.

CCC Water proposed to substantially increase stormwater prices by 73%.^P Our decision is to set stormwater prices that increase by 20% in the first year of the 2022 determination period, and then increase by inflation only each year after that. While this increase is still relatively large, we consider that the price increase is necessary so that CCC Water can maintain and update stormwater drainage works, and ensure it meets its service standards.

Table 3.4 IPART decision on CCC Water yearly stormwater prices from 1 July 2022 to 30 June 2026 (\$2022-23)

	Current 2021-22 (\$2021-22)	CCC Water proposed 2022-23 to 2025-26	IPART decision 2022-23 to 2025-26	Change from current to IPART decision (%)
Stormwater charge (\$/year)				
Houses	108.00	186.31	130.07	20%
Apartments	81.00	139.73	97.56	20%
Farmland	108.00	186.31	130.07	20%
Vacant land	81.00	139.73	97.56	20%
Businesses				
Low impact	108.00	186.31	130.07	20%
Area based				
• Small (≤1,000m ²)	108.00	186.31	130.07	20%
• Medium (1,001 – 10,000m ²)	189.01	326.04	227.63	20%
• Large (10,001 – 45,000m ²)	891.02	1,537.06	1,073.11	20%
• Very large (>45,000m ²)	2,700.09	4,657.77	3,251.85	20%

Note: Prices for 2023-24 to 2025-26 would also increase each year in line with inflation. For customers in a declared drainage area.
Source: CCC Water, [pricing proposal to IPART](#), September 2021, pp 87-91 and IPART analysis.

Stormwater prices under our pricing decision are substantially lower than those proposed by CCC Water. This is in large part due to our decision not to accept CCC Water's proposal to transfer \$15.5 million in stormwater costs currently funded through local government rates to CCC Water. Our decisions relating to the funding of stormwater services are also discussed in more detail in our *Information Paper – Funding stormwater services* and our *Information Paper – Operating and capital costs*.

^P We reported the increase to be 69% in our Draft Report, but this has now been updated for changes in inflation.

After considering CCC Water's proposal and community feedback, we consider all stormwater drainage costs should be funded through the council's local government rates – not through the stormwater charges we set for CCC Water. In our view, this is appropriate because stormwater services provide benefits to the whole community – not just to the individuals who pay stormwater bills. They help people move around after heavy rain, for example, to go to the shops and do errands. Therefore, they should be funded through local government rates like other services that benefit the whole community – such as maintaining public parks and sportsgrounds and building roads and bridges.

We consulted with the community on the option of setting stormwater prices to \$0 at some point during or after the 2022 determination period. CCC Water argued for stormwater prices to be set to \$0 after the 2022 determination period to ensure it can cover its costs and have enough time to consult with the community and develop a new local government rates model. The results from our survey were mixed as to when this should happen. We made a decision to specify in our 2022 Determination that if it were to be extended beyond 30 June 2026, the stormwater charge would be set at \$0 from 1 July 2026. We consider that this would make clear to the council to move all its stormwater costs to be funded by the local government rates fund.

This means that the council needs to move all stormwater costs from CCC Water to the local government fund before our next pricing review. We intend that this pricing review will be the last time we set stormwater charges. We consider that in the first instance, the council should investigate all options in funding stormwater services from existing revenue sources. If the council considers that it cannot cover its stormwater costs and requires more income it may submit a special variation application to IPART for approval. We expect to consult with the community on options to fund stormwater.

4 Typical yearly bills would increase by 17% in 2022-23, then by 6%, 8% and 1% in the next 3 years

In response to feedback on our Draft Report, we maintained our approach to implement the price increase in stages with an initial increase in the first year and smaller increases in the following years. However, we adjusted the price path to minimise the bill increase in the first year of the determination and further spread the increase in the following years of the determination period.

4.1 We reduced bill impacts in the first year, spreading increases across the period

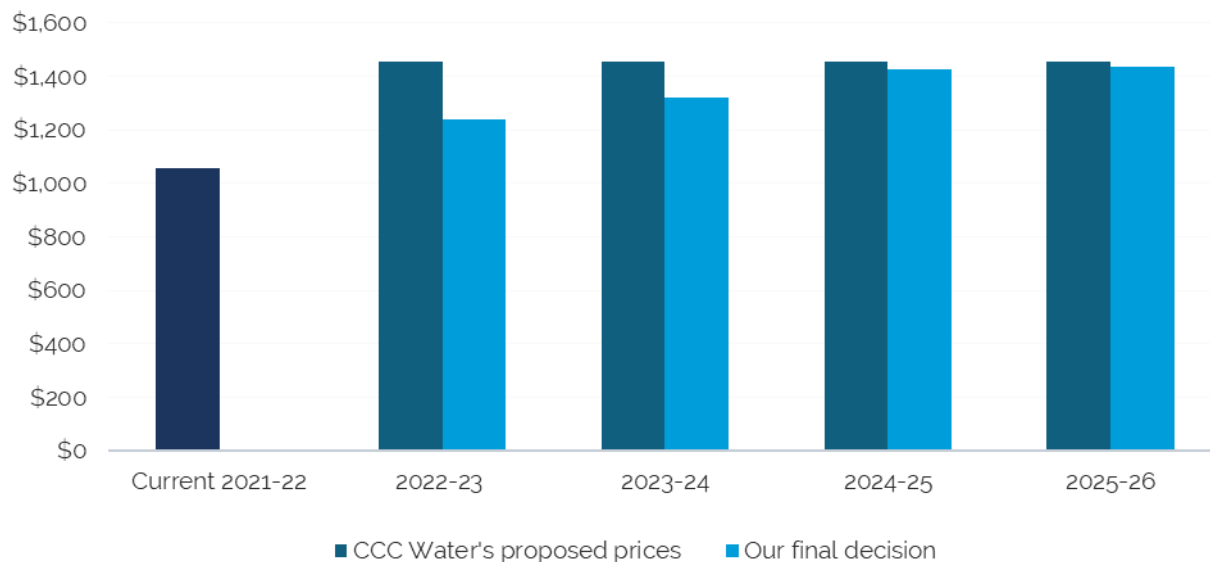
We considered several options to introduce the necessary price increases over the determination period or increase prices in one go in the first year. We have set prices so that typical household bills increase by:

- 17% (\$183) from \$1,058 in 2021-22 to \$1,242 in the first year
- 6% (\$80) to \$1,321 in the second year
- 8% (\$106) to \$1,427 in the third year
- 1% (\$9) in the last year of the determination.⁹

Figure 4.1 presents bills under our prices compared with those under CCC Water's proposal.

⁹ Bills for 2021-22 are in \$2021-22. Bills for 2022-23 to 2025-26 are in \$2022-23. Bills from 2023-24 to 2025-26 would however also increase each year in line with inflation.

Figure 4.1 Typical household bills under our prices compared to CCC Water's proposal (\$2022-23)



Note: The current year (2021-22) bills are presented in \$2021-22. Bills for 2023-24 to 2025-26 would also increase each year in line with inflation.
Source: IPART analysis.

Under our pricing decisions, household water, wastewater and stormwater bills would increase on average on 1 July 2022:

- By slightly more for households living in an apartment at 19% compared with households living in a house at 17% in the first year of the determination period.
- By slightly less for customers that use large amounts of water, 16%, compared with customers that use small amounts of water, 18%, in the first year of the determination period.
- For pensioner households by 23% for a couple household and by 24% for a single household. Single pensioner bills would then increase by 10% in the second year, 12% in the third year and 1% in the fourth year (plus inflation), showing greater bill impacts for pensioners. We acknowledge that the price increases would impact pensioners more in the first year of the determination than other households. Our decision to reduce the bill in the first year compared to our draft decision, which would have seen higher increases in the first year, could better help these households manage the price increase impacts.

The household bill impacts for a range of households^r under our pricing decisions are presented in Table 4.1.



Use our **bill calculator** to find out how prices for CCC Water would affect your bills.

^r Pensioner household bills include the pensioner concession of \$87.50 for water bills and \$87.50 for wastewater bills.

Table 4.1 Household water, wastewater and stormwater bills from 1 July 2022 (\$2022-23)

	Current 2021-22 \$2021-22	CCC Water proposed 2022-23 \$2022-23	IPART decision 2022-23 \$2022-23	2023-24	2024-25	2025-26
House 170 kL						
Gosford	1,077	1,455	1,242	1,321	1,427	1,436
Yearly change		35%	15%	6%	8%	1%
Wyong	1,040	1,455	1,242	1,321	1,427	1,436
Yearly change		40%	19%	6%	8%	1%
Apartment 105 kL						
Gosford	874	1,215	1,016	1,096	1,201	1,210
Yearly change		39%	16%	8%	10%	1%
Wyong	838	1,215	1,016	1,096	1,201	1,210
Yearly change		45%	21%	8%	10%	1%
Large user 250 kL						
Gosford	1,244	1,640	1,427	1,506	1,612	1,621
Yearly change		32%	15%	6%	7%	1%
Wyong	1,208	1,640	1,427	1,506	1,612	1,621
Yearly change		36%	18%	6%	7%	1%
Small user 150 kL						
Gosford	1,035	1,409	1,196	1,275	1,381	1,390
Yearly change		36%	16%	7%	8%	1%
Wyong	998	1,409	1,196	1,275	1,381	1,390
Yearly change		41%	20%	7%	8%	1%
Pensioner couple 112 kL						
Gosford	780	1,146	933	1,017	1,127	1,140
Yearly change		47%	20%	9%	11%	1%
Wyong	743	1,146	933	1,017	1,127	1,140
Yearly change		54%	25%	9%	11%	1%
Pensioner single 81 kL						
Gosford	715	1,074	861	945	1,055	1,068
Yearly change		50%	20%	10%	12%	1%
Wyong	678	1,074	861	945	1,055	1,068
Yearly change		58%	27%	10%	12%	1%

Note: Bills for 2023-24 to 2025-26 would also increase each year in line with inflation.

Business customers would also see similar increases in prices and bills

Our pricing decisions mean that prices for businesses will rise by around the same percentage as prices for households. However, the impact on bills for business customers may vary. The impact on bills for business owners would depend on, for example, the type and size of their business, how much water the business uses and how much wastewater it discharges, the size of the water meter, whether the business is located in Gosford or Wyong, and the size of the property. Table 4.2 presents examples of business customer bill impacts.

Our pricing decisions on trade waste and miscellaneous charges, and for specific customers such as retirement villages are available in our [Technical Paper – Trade waste and other prices](#).

Table 4.2 Examples of business customer water, wastewater and stormwater bills from 1 July 2022 (\$2022-23)

	Current 2021-22 \$2021-22	CCC Water proposed 2022-23 \$2022-23	IPART decision 2022-23 \$2022-23	2023-24	2024-25	2025-26
Medium – fast food outlet^a						
Water usage	1,048	1,155	1,155	1,155	1,155	1,155
Water service	136	382	243	342	479	489
Wastewater usage	369	408	408	408	408	408
Wastewater service	737	906	786	814	847	850
Stormwater	108	186	130	130	130	130
Total bill	2,399	3,037	2,721	2,849	3,018	3,032
Yearly change		27%	13%	5%	6%	0%
Medium – licensed hotel^b						
Water usage	2,516	2,772	2,772	2,772	2,772	2,772
Water service	349	978	621	875	1,225	1,253
Wastewater usage	885	979	979	979	979	979
Wastewater service	1,887	2,318	2,012	2,085	2,168	2,176
Stormwater	189	326	228	228	228	228
Total bill	5,827	7,373	6,612	6,938	7,372	7,408
Yearly change		27%	13%	5%	6%	0%
Large – regional shopping centre^c						
Water usage	213,893	235,620	235,620	235,620	235,620	235,620
Water service	1,746	4,888	3,105	4,375	6,126	6,263
Wastewater usage	75,231	83,232	83,232	83,232	83,232	83,232
Wastewater service	9,436	11,591	10,059	10,423	10,840	10,882
Stormwater	2,700	4,658	3,252	3,252	3,252	3,252
Total bill	303,006	339,988	335,268	336,902	339,069	339,248
Yearly change		12%	11%	0.5%	0.6%	0.1%

a. 500 kL, 25 mm meter, 85% discharge factor (Gosford).

b. 1,200 kL, 40 mm meter, 85% discharge factor (Gosford).

c. 102,000 kL, multiple meters, 85% discharge factor (Gosford).

Note: Bills for 2023-24 to 2025-26 would also increase each year in line with inflation.

4.2 Typical bills would be lower in the first year compared to similar water businesses

We also compared a typical CCC Water household customer's water and wastewater bill under our pricing decisions to typical household water and wastewater bills paid by customers across NSW and Australia. We found that:

- In 2020-21, the typical CCC Water household customer paid the lowest bill compared to typical household customers of other NSW water businesses and comparable major Australian water utilities.¹³
- In 2022-23 (the first year our pricing decisions apply), the typical CCC Water household customer would pay:
 - 12% less than a typical Hunter Water household customer in the Lake Macquarie and Cessnock neighbourhoods, and 1% less than a typical Sydney Water customer in the Hornsby, The Hills Shire and Northern Beaches neighbourhoods (see Figure 4.2)
 - the lowest compared with other water and wastewater utilities in NSW⁵ and third lowest bill compared to typical household customers of other major Australian water businesses^t (see Figure 4.3).

As we have set CCC Water's prices to increase over the determination period, we compared typical bills in the following years with further increases to CCC Water's prices from 2022-23, assuming all other water utilities maintained their prices and bills remained the same and excluding inflation. We found that:

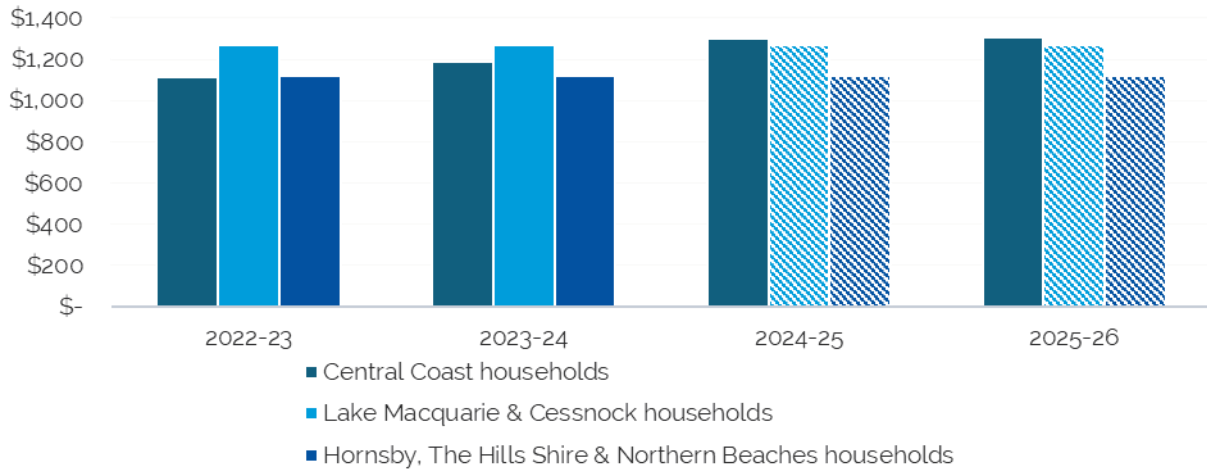
- Compared to Hunter Water and Sydney Water, in 2023-24, in the second year of the determination, typical CCC Water household customers would pay 6% less than a typical Hunter Water household customer, but 6% more than a typical Sydney Water customer, excluding inflation. Although we are due to set prices again for Hunter Water and Sydney Water in 2024-25, if prices remained the same, typical CCC Water bills would be higher than both Hunter Water and Sydney Water bills in the following 2 years. In 2024-25 and 2025-26, CCC Water bills would be only 2% and 3% higher than Hunter Water customer bills but 16% higher than Sydney Water customer bills (in both years).^u
- Compared to other NSW utilities, typical CCC Water household bills would have the fifth lowest bill in 2023-24, nineteenth lowest bill in 2024-25, and twentieth lowest bill in 2025-26.
- Compared to major Australian water businesses, CCC Water household bills would have the seventh lowest bill in 2023-24, and then tenth lowest bill in both 2024-25 and 2025-26.

⁵ Compares CCC Water typical bills with Hunter Water, Sydney Water, 77 local water utilities and 12 council areas with water provided by a county council.

^t Compares CCC Water typical bills with 14 other major Australian water utilities.

^u Bills under our prices in 2024-25 and 2025-26 are higher than those for Hunter Water and Sydney Water due to our decision to move more of the price increase to these years to lower the bill impacts in 2022-23. If we set prices to increase in one go (i.e. a 28% increase) rather than in stages, bills in 2024-25 would be 4% lower than those for Hunter Water and 9% higher than those for Sydney Water.

Figure 4.2 CCC Water typical bill under our prices vs estimated bills in neighbouring council areas from 1 July 2022



a. Based on water and wastewater services (excludes stormwater services) and compares what bills would be over the 4-year 2022 determination period based on a typical usage of 170 kL for CCC Water household customers, 189 kL for Hunter Water household customers, 200 kL for Sydney Water household customers.

b. If a customer in CCC Water, Hunter Water and Sydney Water uses 200 kL a year, in 2022-23, the CCC Water household customer would pay a bill that is 9% lower than what the Hunter Water household customer would pay and 5% higher than what the Sydney Water household customer would pay. In 2023-24, CCC Water household customer bills would be 3% lower than Hunter Water household customer bills and 12% higher than Sydney Water household customer bills. Although we will set prices again for Hunter Water and Sydney Water in 204-24, if prices were to remain the same, in 2024-25, CCC Water household customer bills would be 5% higher than Hunter Water household customer bills and 22% higher than Sydney Water household customer bills. In 2024-25, CCC Water household customer bills would be 6% higher than Hunter Water household customer bills and 23% higher than Sydney Water household customer bills. This increase in 2023-24 excludes inflation.

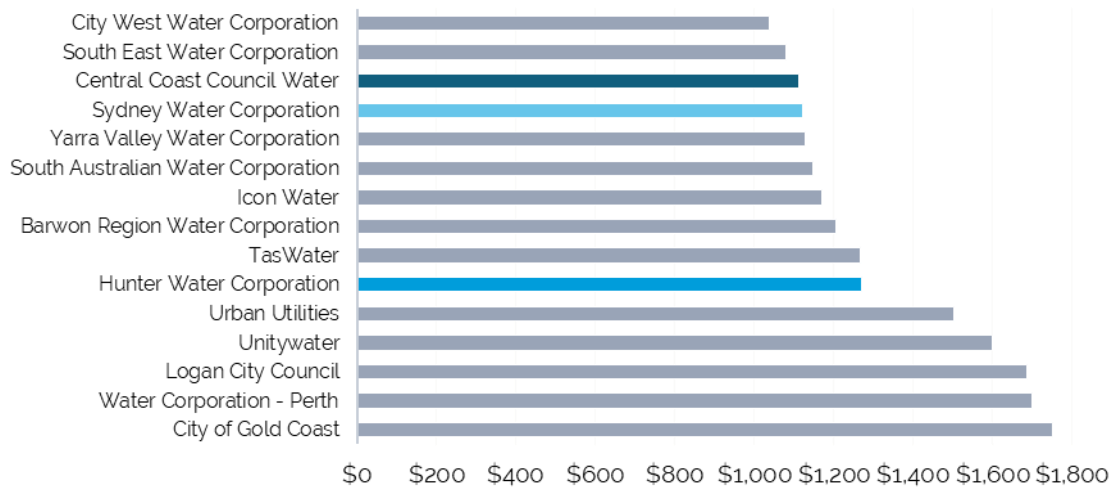
c. This figure assumes that Hunter Water and Sydney Water bills remain the same over the CCC Water 2022 determination period. We note that in the later years of the determination we will review the prices for Hunter Water and Sydney Water. These bills are shaded to reflect that they will be subject to the next price reviews for these utilities.

d. At the time of preparing this report, there are different regimes in place for CCC Water, Hunter Water and Sydney Water to collect developer charges which affect how costs and prices are determined.

e. We also note that we have set drought prices for Hunter Water and Sydney Water. These bills are based on when dams are full for each utility. However, during drought, bills would be higher than those presented for Hunter Water and Sydney Water.

Source: IPART analysis.

Figure 4.3 CCC Water typical bills would be the third lowest compared with other major Australian water businesses on 1 July 2022



Note: Based on water and wastewater services (excludes stormwater services). Compares CCC Water typical water and wastewater bills with other major water utilities in Australia for 2022-23.
Source: Bureau of Meteorology (BOM), 2022, National performance report 2020-21 urban water utilities, Complete dataset 2020-21 and IPART analysis.

5 We strengthened our recommendations to help address affordability concerns

In our initial consultations for this review, community stakeholders and customers told us that CCC Water's proposed price increase was unaffordable and would cause financial hardship across the Central Coast. Some stakeholders noted they were pensioners with fixed incomes already affected by bushfires, COVID-19 pandemic and the recent increase to local government rates. Feedback to our Draft Report similarly raised affordability concerns, referring to income growth, increased local government rates and cost of living pressures.¹⁴ Of the 83 survey responses we received to our survey for our Draft Report, 61 responses indicated they would have difficulty paying for our draft price increase.¹⁵

We have carefully considered the affordability of our pricing decisions and their bill impacts for a range of customer groups in the Central Coast community. We acknowledge that some households, such as pensioner households, low-income households and households generally affected by the COVID-19 pandemic through unemployment and reduced work hours, may need further assistance to manage the impacts of our pricing decisions.

We understand that the community were disappointed with our draft price increase. In response to feedback, we have strengthened our recommendations for:

- NSW Government to undertake a comprehensive review of pensioner concessions across NSW for water and wastewater services and broader guidelines for water utilities on customer hardship protection to better assist for vulnerable households
- CCC Water to develop a targeted affordability strategy to proactively address the needs of the community in addition to promoting their hardship programs as recommended in our Draft Report, to help customers manage paying for increased bills.

5.1 The socio-economic circumstances of Central Coast customers vary widely

The Central Coast is in the top 40% when all NSW communities are ranked in terms of socio-economic advantage.^{v,16}

^v This is according to the SEIFA (Socio-Economic Index for Areas) which measures both socio-economic advantage and disadvantage. Central Coast Council area ranked 86th out of 130 local government areas (LGAs) on the Index of Relative Socio-economic Advantage and Disadvantage, where the 130th LGA has the least disadvantage.

However, socio-economic circumstances vary widely across the Central Coast:

- Some areas are ranked in the top 10% of communities with least disadvantage. These include Holgate, Matcham and Erina Heights.¹⁷
- However, Wyong is ranked in the top 10% of communities with the most disadvantage. In addition, as of March 2022, 12.6% of Wyong's population received JobSeeker and youth allowance payments (compared with 5.3% of NSW's population).^{w,18}

Further, based on data from the Department of Social Services from 2021, a significant proportion of Central Coast households are pensioners:

- 13.7% receive the age pension^x
- 3.7% receive the disability support pension
- 22.5% have the pension concession card.¹⁹

In 2016, about 29.1% of Central Coast households were within the lowest household income quartile group, comprising the largest income group in the Central Coast.²⁰

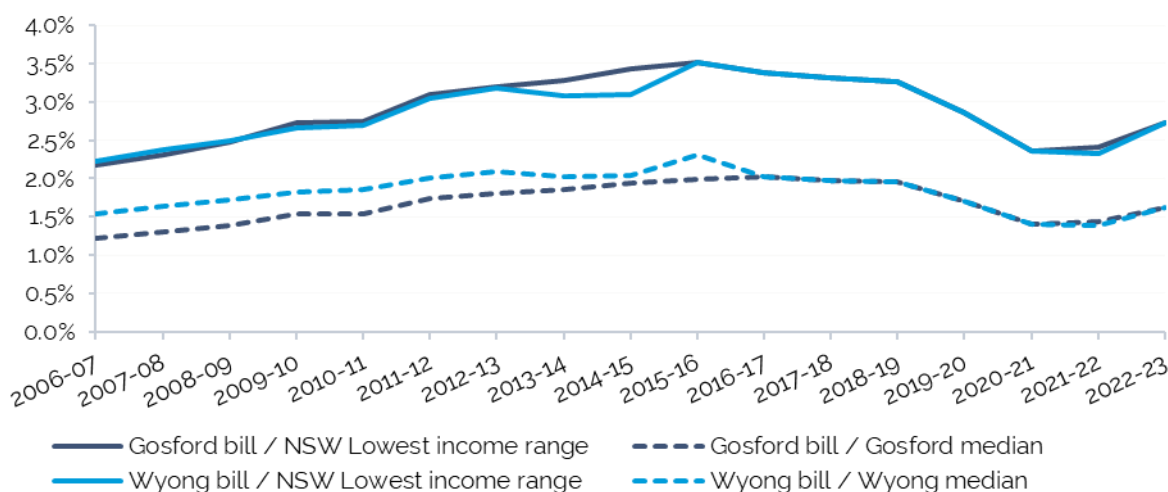
In community feedback, people told us they had previously considered the Central Coast to be an affordable place to live and were concerned about the changes to the cost of living.

We looked at water and wastewater bills in Gosford and Wyong since 2006-07 and the proportion of these bills to household incomes in Gosford and Wyong over time. Water bills as a proportion of income have remained steady since 2006-07, reducing somewhat in 2016-17 (see Figure 5.1). Although, water bills as a proportion of income is beginning to return to levels prior to 2016-17, we consider there are likely to be other factors affecting the level of affordability on the Central Coast. We acknowledge that the impacts of recent events such as bushfires, COVID-19 and a local government rates increase can affect affordability in the region.

^w Population refers to those aged 15 to 64.

^x Based on the latest census data from 2016, 27.1% of the Central Coast population was aged over 60, reflecting a higher percentage of those aged over 60 than Greater Sydney (19%), including other neighbouring LGAs. This may contribute to a higher proportion of those on the age pension. We note however that CCC Water includes in its scope for pensioners other groups that hold concession cards that are not necessarily age pension recipients, e.g. disability pension recipients.

Figure 5.1 CCC Water bills as a proportion of income since 2006-07



Note. Based on median household incomes and NSW quartile incomes from Australian Bureau of Statistics (ABS) Census data from 2006, 2011 and 2016 in \$2022-23. Water and wastewater bills are based on a yearly usage of 200 kL in \$2022-23. Source: Bureau of Meteorology (BOM), National Performance Report, Complete dataset, 2014-15, and National Performance Report, Complete dataset 2020-21, Profile.id, Household income quartiles, 2016, accessed 9 May 2022, ABS, Gosford 2006 QuickStats, Wyong 2006 Quickstats, Gosford 2011 QuickStats, Wyong 2011 Quickstats, Central Coast 2016 Quickstats, accessed 9 May 2022, and IPART analysis.

5.2 We considered the bill impacts for a range of customers

To consider the affordability of our pricing decisions for a range of groups, we estimated their typical water, wastewater and stormwater bill for the 4-year determination period and compared this to their household income (see Table 5.1). We found that for these groups, bills can represent on average:

- 0.9% or less for households in higher income groups
- 1.8% and 1.5% for median income households living in a house and apartment, respectively
- 2.8% at least for households in the low-income group
- 3.0% for pensioner couple households and this reduces to 2.6% when pensioner rebates are applied.
- 4.2% for pensioner single households, and this reduces to 3.6% when pensioner rebates are applied.
- 3.2% at least for a larger family with a low income.

Table 5.1 Water, wastewater and stormwater bills across different households under IPART decisions (\$2022-23)

Household	Usage (kL)	Bill (2022-23)	Bill (2025-26)	Change from current bills ^a to 2022-23	Yearly income ^b	Proportion of bill to income ^c
Typical House	170	1,242	1,436	17%	76,210	1.8%
Typical Apartment	105	1,016	1,210	19%	76,210	1.5%
Low income	134	1,159	1,353	18%	45,435	2.8%
Lower middle income	158	1,214	1,408	18%	67,607	1.9%
Higher middle income	199	1,309	1,503	17%	122,250	1.1%
High income	215	1,346	1,540	17%	154,782	0.9%
Pensioner couple household without rebate ^d	112	1,108	1,302	18%	40,335	3.0%
Pensioner couple household with rebate ^d	112	933	1,140	23%	40,335	2.6%
Pensioner single household without rebate ^d	81	1,036	1,230	19%	26,756	4.2%
Pensioner single household with rebate ^d	81	861	1,068	24%	26,756	3.6%
Large family – low income ^e	215	1,345	1,539	17%	45,435	3.2%
Large family – high income ^e	215	1,345	1,539	17%	154,782	0.9%

a. The percentage change from the current bills to bills under draft prices is based on the average of bills for households in the former Gosford local government area and those in the former Wyong local government area.

b. Yearly household income for lower middle and higher middle incomes were estimated based on the midpoint of the lower and upper ranges of each band. Yearly income for low-income households was estimated from the upper range of the low-income band while yearly income for high income households were estimated from the lower range of the higher income band.

c. Average proportion of bills to income over the 4-year determination period.

d. For the yearly income of a pensioner, we have used the normal aged pension rates as a proxy for a pensioner household's income.

e. A large family has 2 adults and 4 children.

Source: IPART analysis, IPART, *2015 Household survey of electricity, gas and water usage*, 2016, Profile id, Central Coast Council area Household income quartiles, 2016, 1 accessed 7 December 2021. Services Australia, *Aged Pension*, April 2022, accessed 5 May 2022. Services Australia, *Disability Pension*, March 2022, accessed 5 May 2022.

We also considered bill impacts on renters

While renters may pay water usage bills,^y there was concern that landowners would pass on the costs of higher water prices through higher rents.^{z1} For a typical house and a typical apartment, water usage bills are expected to increase by 10%. If the water service charges from 1 July 2022 were added to rent, rent would increase by around \$3 or 1% more per week. If all service charges from 1 July 2022 (i.e. including water, wastewater and stormwater) were added to rent, yearly rent would increase by almost \$14 or 3% more per week.^z

^y Renters who live in a property with a standalone meter (generally, a freestanding house or a newer apartment) and, if the property meets water efficiency standards, may be asked by their landlord to pay for the water that they consume. For more information, please see [NSW Fair Trading – Water, electricity and gas in rental properties](#).

^z This assumes that the renter would be pay for these service charges for the first time if passed on in full through rent.

5.3 Single pensioner households and some low-income households may need additional support

Our review has found that CCC Water needs to spend more to maintain and improve water services. While we consider our price increases are necessary so that the community receives the water services it expects, our analysis found that their bill impacts may lead to affordability concerns for single pensioner households and low-income households with larger families.

For single pensioner households, the typical water, wastewater and stormwater bill for the 4-year determination period represents 4.2% of their yearly income, or 3.6% after pensioner rebates are applied. For low-income households with larger families, it represents at least 3.2% of their yearly income.

Pensioners will face greater bill impacts

A single pensioner household bill with a concession would increase by 54% on average under CCC Water's proposed prices in 2022-23. However, under our final prices, a single pensioner household bill would increase by 20% (\$146) in Gosford and by 27% (\$183) in Wyong and then by 10% (\$84) from 2023-24, 12% (\$110) in 2024-25 and 1% (\$13) in 2025-26.

Pensioner concessions for water and wastewater services are available for Central Coast pensioners under the *Local Government Act 1993* (section 575) and equate to a maximum of \$175 each year.²² CCC Water provides pensioners with a reduction of 50% of the water supply service and water usage charge levied up to a maximum of \$87.50 per year and reduction of 50% of wastewater service and wastewater usage charges, similarly up to a maximum of \$87.50 per year.²³

The current rebate would lower a single pensioner's bill under our prices by 17% in 2022-23. However, by 2025-26 the rebate would only lower the bill by 13%. We consider that this reduction however is modest and that pensioners may still face difficulties affording their bills. Unlike pensioner concessions for Sydney Water and Hunter Water customers, CCC Water's pensioner concessions for water and wastewater services have not changed or been indexed (i.e. have not risen with inflation) since they were introduced in 1993. We estimate that if these concessions were indexed, they would be around \$360 today.

5.4 We recommend the NSW Government and CCC Water help address affordability concerns

To help customers with paying their bills, CCC Water provides assistance such as payment plans and rebates concessions for pensioners.

To help address affordability concerns raised by the community throughout this review and better support customers, including pensioners and low-income households, we have strengthened our recommendations. This is in response to stakeholder feedback that more should be done to address affordability.

We recommend that the NSW Government undertake a comprehensive state-wide review on:

- the adequacy of all concessions supporting household use of water and wastewater services
- guidelines for water utilities on customer hardship protection to better assist for vulnerable customers.

We intend that a review on pensioner concessions and guidelines for customer hardship protections would benefit not only CCC Water's vulnerable customers but customers state-wide. This would be in line with frameworks in place and work being done in the energy retail sector to better support energy retail customers.²⁴

We recommend that CCC Water develop and implement a targeted affordability strategy to more proactively address the needs of the community to help them manage bill impacts. In response to our Draft Report, CCC Water agreed to promote its hardship assistance programs, mentioning that these would be available on its website. We encourage CCC Water to promote its assistance programs further and proactively, for example, if it does not already, it can promote its programs on the bills it sends to customers.

¹ IPART, *Residential water usage in Sydney, Hunter and Gosford – Result from the 2015 household survey*, September 2016, pp 38-45.

² IPART analysis, NSW Department of Planning and Environment (DPE) Local Water Utilities (LWUs) performance monitoring data and reports (2020-21), 2022, and Bureau of Meteorology (BOM), *National performance report 2020-21: urban water utilities, Complete dataset 2020-21*. 2022.

³ Australian Bureau of Statistics (ABS), SEIFA 2016 by Local Government Area dataset, accessed 28 January 2022, Profile.id, Central Coast Council area, SEIFA by profile area, 2016, accessed 5 May 2022.

⁴ For example, see Anonymous, *submission to IPART Draft Report for the 2021-22 Central Coast Council Water price review*, March 2022, p 1.

⁵ Public Interest Advocacy Centre (PIAC), *submission to IPART's Issues Paper for the 2021-22 Central Coast Council Water price review to IPART Issues Paper*, 2 November 2021, p 5.

⁶ Public Interest Advocacy Centre (PIAC), *submission to IPART Draft Report for the 2021-22 Central Coast Council Water price review*, April 2022, p 5.

⁷ Public Interest Advocacy Centre (PIAC), *submission to IPART's Issues Paper for the 2021-22 Central Coast Council Water price review to IPART Issues Paper*, November 2021, p 5.

⁸ Public Interest Advocacy Centre (PIAC), *submission to IPART's Issues Paper for the 2021-22 Central Coast Council Water price review to IPART Issues Paper*, 2 November 2021, p 3.

⁹ IPART, *Review of prices for Sydney Water from 1 July 2020 – Final Report*, June 2020, p 96; IPART, *Review of prices for Hunter Water from 1 July 2020 – Final Report*, June 2020, p 89.

¹⁰ Public Interest Advocacy Centre (PIAC), *submission to IPART's Issues Paper for the 2021-22 Central Coast Council Water price review to IPART Issues Paper*, 2 November 2021, p 4.

¹¹ IPART, *Residential water usage in Sydney, Hunter and Gosford – Result from the 2015 household survey*, September 2016, pp 38-45.

¹² IPART, *Information Paper – Thank you for your response to our survey on Central Coast water prices*, 16 December 2021, p 4.

¹³ IPART analysis, NSW Department of Planning and Environment (DPE) Local Water Utilities (LWUs) performance monitoring data and reports (2020-21), 2022, and Bureau of Meteorology (BOM), *National performance report 2020-21: urban water utilities, Complete dataset 2020-21*. 2022.

¹⁴ For example, see Anonymous, *submission to IPART Draft Report for the 2021-22 Central Coast Council Water price review*, March 2022, p 1., S. Eyre, *submission to IPART Draft Report for the 2021-22 Central Coast Council Water price review*, March 2022, Anonymous, *submission to IPART Draft Report for the 2021-22 Central Coast Council Water price review*, March 2022, J. Vandermortel *submission to IPART Draft Report for the 2021-22 Central Coast Council Water price review*, March 2022, L. O'Connor, *submission to IPART Draft Report for the 2021-22 Central Coast Council Water price review*, March 2022.

¹⁵ IPART, *Central Coast Council water prices - Results of survey on our draft decisions*, 29 April 2022, p 3.

¹⁶ Australian Bureau of Statistics (ABS), SEIFA 2016 by Local Government Area dataset, accessed 28 January 2022.

¹⁷ Profile.id, Central Coast Council area, SEIFA by profile area, 2016, accessed 5 May 2021.

¹⁸ Profile.id, Central Coast Council area, JobSeeker and Youth Allowance recipients, March 2022, accessed 5 May 2022.

¹⁹ Australian Government, Department of Social Services Payment Demographic Data, December 2021, accessed 5 May 2022, Forecast.id, Central Coast NSW population forecast, 2021, accessed 5 May 2022.

²⁰ Profile.id, Central Coast Council area, Household income quartile, accessed 10 November 2021.

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- ²¹ For example, see Anonymous, [submission to IPART Draft Report for the 2021-22 Central Coast Council Water price review](#), March 2022, p 1.
- ²² *Local Government Act 1993 No 30*, Division 1 Concessions for pensioners, section 575, cl 3(b) and (c).
- ²³ CCC Water, [pricing proposal to IPART](#), September 2021, p 89.
- ²⁴ Australian Energy Regulator, [Customer Vulnerability Strategy](#), December 2021.