

Central Coast Council Water Prices

- Submission by Avoca Beach Community Association (ABCA) on IPART Draft Determination

Based upon the IPART issues paper published in 2021, ABCA provided a substantial submission canvassing several concerns and making proposals for IPART consideration.

We welcome that the draft Determination issued by IPART in March 2022 accommodates to a large degree those concerns and proposals.

In that regard:

- We welcome that IPART recognizes the need to improve delivery and operation of water, wastewater and stormwater operations on the Central Coast. (We restate the point in our previous submission that there is a pressing need to invest in actions to improve water quality in Avoca Lagoon.)
- We appreciate that IPART has strived to strike a balance in setting new rates. We support constraining water (etc.) rates below the level sought by Council and phasing in of the rates increases over 4 years. This recognizes the impost on the community from the large recent rise in general rates (and other living costs); and, at the same time delivers Council increased income to achieve good performance in delivery of water services.
- We support stormwater service charges transferring to general rates from 2026.

However, there are two aspects of the draft IPART Determination on which we focus attention now – the performance measurement framework and the water pricing structure.

A. Measuring Improvement in Performance in Delivering Water Services

We strongly support IPART's intention to recommend that Council implement a much stronger and effective performance assessment framework, including a public performance report, to show the extent to which value for money is being delivered. And we support the proposal that IPART review in 2 years time progress in implementing this strengthened framework.

The IPART information paper on Improving Performance (March 2022) is a helpful contribution.

We particularly note Figure 1 setting out a draft set of performance measures. Those measures are relevant and we can support them. But they fail to address two important dimensions:

- First, they do not target the pressing problem of "hotspot" failures in the water networks.
- Second, they make no reference to showing trends in performance over time.

We elaborate on these points below.

Hotspot Failures

IPART's draft set of metrics (in line with current Council practice) characterise the level of incidence of failure events as total events and network averages – for example:

- Total complaints per 1000 properties
- Number of main breaks, chokes and overflows per 100km of mains.

Indicators expressed as an average are reasonably meaningful in situations where there is a relatively good degree of uniformity across a network (eg with respect to age, deterioration or design).

However, those average metrics proposed by IPART fail to identify and publicly report locations which are subject to an exceptional occurrence of these failures – which drive up the average network indicator and which should be the highest priority for investment in remedial action.

To illustrate this issue, we refer you to our earlier submission which provided a case study involving chronic (over at least a decade), frequent breaks in a section (2km) of the trunk water main along The Round Drive (and Cape Three Points Road). We referred to the excessive property damage and disruption of district water supply and the representations made to Council.

That included the period May to September 2018 when there were 4 major bursts in the main (i.e. in that short section a rate 1,000% above the network annual average.)

In June 2018, Council replied to repeated representations by ABCA on the urgency of the problem stating that for the previous 3 years the average number of breaks per 100km network across the Central Coast was significantly less than the metric set by IPART. From a community perspective, that argument entirely missed the point (one could say obfuscated!) in not recognizing that, despite the general network reasonable health, there was a specific locality urgently needing overdue remedial action.

But, nevertheless, Council stated that 3 sections of the local main had been identified for detailed investigation, as part of the ongoing renewal program – with absolutely no assurance to the community as to how long it would be before the problem would be fixed.

Only after more main breaks in the following months, with attendant community representations and high profile media coverage, did Council announce commencement of replacing the whole section of the main.

This case example demonstrates how important it is for performance metrics to include some which show the scale of the problem of "hotspots" on the Central Coast.

This feature in the performance measurement and reporting framework could take the form of:

1. A definition of a "hotspot" location. For example:

- a. An X km radius in the network (where X = 3?) in which the annual water mains breaks over a period (perhaps 3 years gives a sufficiently representative picture) exceed the network average by Y%
 - b. A Z metres radius in the water supply network (where Z = 500metres? – or whatever scale identifies end of pipe, low flushing conditions) where water quality complaints over a period (perhaps 5 years) exceed the network average by Y%)
 - c. And similar metrics for the sewer system.
2. An annual listing of each hotspot location in the network, including for how many years it has reached hotspot ranking and an indication of when remediation is planned.

It would seem that it there would be little cost for Council in producing and publishing these hotspot metrics. Surely Council already keeps records of problem events as they happen in the water network, which sensibly would be geocoded etc in a GIS system. The performance reporting proposal we make would simply make that information public in a useful form. This information would increase transparency to the public, build confidence that Council is solving problems, and targeting investment where it delivers the best results.

Trends in Metrics

It is important for Council planning and for community confidence in Council performance to have multi-year trends in relevant performance indicators.

The relevant indicators are those which capture system failures and environmental pressures. These could be shown simply in graph form, and desirably should cover 10 years, so as to distinguish long term trends from interannual variability and to capture the results of actions that happening incrementally.

B. Balance of User and Service Charges for Water Supply

Our submission provided 6 months ago expressed concern at the proposal from Council to increase the fixed water supply service charge by a far greater proportion than the unit of consumption usage charge. We argued that this arrangement would dampen the incentive for efficient consumption of water (with consequences for timing of capital investment in new supply capacity) and was socially regressive.

Yet, the draft IPART determination proposes an even greater disproportion in the relative price increases – over 4 years the fixed service charge is proposed to rise by an eye watering 243% compared to the charge applying today (\$87 rising to \$298 annually). We have no understanding of the criteria used by Council and IPART in determining what proportion of a specified revenue amount should be derived from fixed service and usage charges. But, the end effect of that cost allocation framework produces a socially, environmentally and economically perverse outcome.

Hence, we repeat our earlier proposal that IPART begin a process to redesign water pricing to better encourage water use efficiency.