

9 December 2024

Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop 1240

Submission to IPART's Prices for Sydney Water Corporation from 1 July 2025

Thank you for the opportunity to comment on the Sydney Water Pricing Proposal.

Firstly, it is disappointing that the letter from the Premier dated 20 August 2024 did not require IPART to consider environmental sustainability in the upcoming price determinations for Sydney Water Corporation and Hunter Water Corporation.

While the cost-of-living impacts of water pricing are also an extremely important factor to be considered, to not require environmental sustainability to also be considered does not comply with best practice pricing water supply and sewerage guidelines.

While environmental protection is listed as a key outcome it's therefore disappointing that there is no goal of improved water efficiency and the current proposed pricing structure discourages water efficiency.

These proposals unfairly impose a disproportionate burden on single-person households.

In 2007, the NSW Government's Best-Practice Management of Water Supply and Sewerage Guidelines advised (p8) that "Residential water usage charges must be set to recover at least 75% of residential revenue."

The above guideline was presumably intended to provide the best possible outcome for the entire community when the cost of water-saving measures (e.g. smart meters, water-efficient garden watering systems) is much less than building new infrastructure, as well as the environment.

These proposed changes will see residential usage charges as much less than 75% of revenue in 2030.

Under the current proposal, by the end of the period, the access charge will have increased by 405% and single-person households, which represent 25% of all households in Sydney.

Single-person households generally use only a small amount of water and create very little sewerage. They are also likely to have a much lower contribution to the need for additional infrastructure than households that use two or three times as much water, compounding the unfairness of this proposal.

This proposal illustrates low water use by a two person household using 137 L per person per day. It is curious that the proposal does not use the example of a single person household as an example of a low-water user.

Low water users should be defined as the lowest 25% of water users and medium water use as the median water use. A 2-person household using 180 L per person per day consumes 131 kl/year, therefore it is not clear why the Issues Paper suggests medium water use is about 200 kl/year, when in reality, this is closer to high water use.

It is the Greens view that the incorrect labelling of water use categories greatly distorts the consultation about the pricing proposal.

The NSW Government's Best-Practice Management of Water Supply and Sewerage Guidelines advises (2007, p8): *With water becoming an increasingly scarce resource both locally and globally, it is appropriate that LWUs focus on influencing water demand through **increasing emphasis on usage based pricing**.*

Best-practice water supply pricing requires that the usage charge recover those costs that vary with demand in the long-term (ie. long-run marginal cost), through a usage charge. These costs should include licence and extraction fees from external regulatory agencies and should reflect the indirect costs (ie. externalities) associated with these demands.

An alternative fair pricing proposal would therefore be to freeze the water access charge at \$67.05 and the wastewater access charge at \$618, and raise the same amounts of money by increasing the charge per KL of water, with a small proportion of the wastewater charge (32% by 2029-30) coming from water usage charges.

In reality, a much higher proportion than 32% is likely to end up as wastewater, so this almost certainly under-represents the true costs.

Note also that households using 200 kL or more per year are the ones that could save the most money by installing water-saving devices, such as water-efficient appliances and shower-heads. They should be encouraged to do so, thereby reducing the need for expensive new infrastructure and additional costs to operate the desalination plant. **To avoid hardship, means-tested rebates for improving water efficiency should be made available to all residents.**

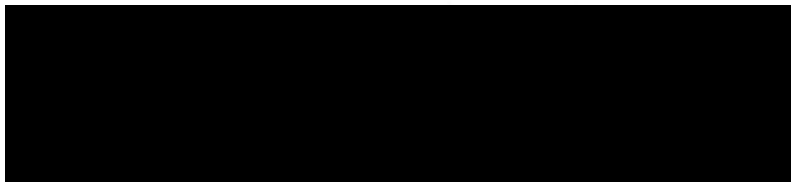
Fair prices should also reward those who do their bit to reduce water consumption and impose low demands on the system. This proposal does not take that into consideration because it is hitting low water users with the highest price increases.

Higher infrastructure contribution charges should be considered given the new housing developments in parts of western Sydney that will require significant infrastructure investment and upgrades.

These proposals aren't designed to encourage water efficiency. They disproportionately slug low water using households with the highest increases. In this cost-of-living crisis, low income single-person households will not be able to afford water saving devices and still pay their bills.

The Greens urge the consideration of a pricing structure that encourages water efficiency, while also balancing cost-of-living impacts. We don't believe that the balance is right with this current pricing proposal.

Yours sincerely,



Cate Faehrmann MLC
Greens NSW water spokesperson