



REPORT: Water and Sewer Fee Harmonisation

DIVISION: Organisational Performance
REPORT DATE: 9 January 2023
TRIM REFERENCE: ID23/26

EXECUTIVE SUMMARY

Purpose	Seek endorsement	Provide review or update
	Seek direction or decision	
	Strategic Project Update	
Issue	Existing pricing regimes for the former Dubbo City Council and Wellington Council areas have continued since merger for water and sewerage to allow Council to undertake a comprehensive review.	
Reasoning	Council will be considering changes to achieve harmonisation of water and sewerage pricing and ensuring equitable prices for all residents and businesses across the Dubbo Regional Council local government area.	
Financial Implications	Budget Area	Water and Sewerage
	Funding Source	Water and Sewerage reserves
	Proposed Cost	There are no financial implications arising from this report
	Ongoing Costs	There are no financial implications arising from this report
Policy Implications	Policy Title	There are no policy implications arising from this report
	Impact on Policy	There are no policy implications arising from this report

STRATEGIC DIRECTION

The Towards 2040 Community Strategic Plan is a vision for the development of the region out to the year 2040. The Plan includes six principle themes and a number of objectives and strategies. This report is aligned to:

Theme: 4 Leadership
CSP Objective: 4.2 The resources of Council are sustainably managed
Delivery Program Strategy: 4.2.1 The system of raising revenue is equitable and revenue from grants and other income sources is maximised

RECOMMENDATION

- 1. That Council endorse the single tiered water tariff approach for a harmonised water and sewerage fee structure for the purposes of public engagement.**
- 2. That Council note the inform style engagement activities proposed in the body of the report to inform the community rationale behind the preferred pricing regime.**
- 3. That Council note a collaborative style engagement process will take place during the Public Exhibition period of Council's Draft Budget which will include that includes details of fees and charges for water and sewer.**

Dean Frost
Director Organisational Performance

MH
Chief Financial Officer

BACKGROUND

In order to operate, maintain, upgrade and expand our water supply and sewerage services, Council levies water and sewerage charges. Existing pricing regimes for the former Dubbo City Council and Wellington Council areas have continued since merger for water and sewerage to allow Council to undertake a comprehensive review.

Council will be considering changes to achieve harmonisation of water and sewerage pricing and ensuring equitable prices for all residents and businesses across the Dubbo Regional Council local government area. Objectives of pricing harmonisation include:

- Consider the Best Business Practice Management guidelines for Local Water Utilities.
- Develop uniform tariffs which provide appropriate pricing signals.
- Assess the impact of new tariff options on various customer groups.
- Raise the income required for the long-term financial sustainability of the water/sewer business.
- Achieve efficient water usage as customers face appropriate pricing signals.

In 2023 Council will be engaging the community to make sure that they are fully informed.

WATER PRICES

Supplying water to the community is one of Council's major activities. To pay for this supply, Council collects revenue from people who benefit from access and usage of the water supply. Water prices consist of a fixed water service access charge and volumetric usage charge.

1. An access charge; the charge is a fixed annual charge and serves, in part, to recover the costs of providing water services
2. A usage charge; the charge is applied to the volume of water used by a customer.

The access charge for both Residential and non-residential properties is charged depending on water meter connection size and the number of services to the property. To properly reflect the water load a water connection can place on the system, annual access charges are proportional to the square of the size of the customer's water supply service, which is in accordance with the NSW State Government's Best Practice Management of Water Supply and Wastewater Guidelines. Council may apply a water access charge for a lesser than actual water service size diameter if the larger service is required due to the property being in a very low water pressure area or if the service is a combined supply for both normal and fire service provisions.

The water usage charge is applied to the volume of water used by an individual customer and can either be a single tariff or an inclining tariff. In accordance with best practice, inclining tariffs traditionally have a significant increase between water usage tiers as an incentive to use water efficiently. The initial tariff needs to consider declining water sales and the impact on income.

The determination of the split between access charge and usage charge for a typical residential bill (TRB) impacts on Councils yield from water due to the methodology in calculating water access charges and usage charges for non-residential accounts.

Below is a comparison of the 2022/23 financial year pricing structure:

Access Charge

Former Dubbo City Council	Access Charge
20mm	\$293.56
25mm	\$457.95
30/32mm	\$751.48
40mm	\$1,174.19
50mm	\$1,834.68
65mm	\$3,099.86
80mm	\$4,696.77
100mm	\$7,338.70
150mm	\$16,520.85
200mm	\$29,355.52

Former Wellington Council	Access Charge
Domestic	\$450.56
Commercial 20mm	\$545.73
Commercial 25mm	\$844.34
Commercial 31mm	\$1,303.97
Commercial 32mm	\$1,389.93
Commercial 38mm	\$1,969.66
Commercial 40mm	\$2,171.27
Commercial 50mm	\$3,388.93
Commercial 80mm	\$8,684.61
Commercial 100mm	\$13,572.52
Commercial 150mm	\$30,528.06
Un-connected services	\$450.54
Connected service – no meter	\$545.73
Dedicated fire service	\$545.73
Commercial (Non Profit)	\$844.34
Commercial 50mm	
Un-connected service	\$450.54
Connected service – no meter	\$545.73
Dedicated fire service	\$545.73
Church Properties	
Connected Wellington – non residential	\$436.54
Connected Village	\$360.42

Usage Charge

Former Dubbo City Council

Residential and Non Residential Properties	
All consumption – per kilolitre	\$2.22

Former Wellington Council

Tariff	Usage Charge	Usage Charge	Usage Charge	Usage Charge
From KL	0	301	501	10,001
To KL	300	500	10,000	-
Domestic	\$2.42	\$2.47	\$2.65	\$2.86
Commercial	\$1.67	\$1.80	\$2.19	\$2.75

Typical residential bill

Former Dubbo City Council	\$849
Former Wellington Council	\$1,007

The Independent Pricing and Regulatory Tribunal (IPART) is responsible for setting the maximum prices following water utilities set for water, wastewater and other services they provide as a Water Supply Authority.

- Central Coast Council
- Hunter
- Sydney

During a review of Central Coast Council water prices IPART noted that while some stakeholders preferred a higher usage charge considering it more equitable and a better signal for water conservation, they found a higher water usage charge results in only a very small reduction in the service charge and overall bills for customers with low water usage, however it increases bills for most other customers, including large families and renters and may disproportionately impact low-income households with higher water usage. IPART also accepted the Central Coast Council proposal to set a flat water usage charge, rather than an inclining tariff.

SEWERAGE PRICES

Council's wastewater (sewer) pricing structure for residential and non-residential properties is set to comply with Water NSW best practice pricing guidelines

- For residential properties – fixed annual access charge only (based on the size of the water meter connection)
- For non-residential properties – fixed annual access charge (based on the size of the water meter connection/s + volumetric usage charge based on the estimated percentage of water returned to the sewerage system. Best practice pricing recommends that the sewer usage charge should be 1-1.5 of the long run marginal cost of sewerage collection, treatment and disposal in \$/Kl.

Residential

The residential sewerage charge is a uniform charge for all residential properties connected (or able to connect) to a sewerage network. The annual residential sewerage charge will apply to all properties (including strata and community title properties and vacant land) that are able to connect and are within 75 metres of Council's Sewerage mains.

Non Residential

Non-residential sewerage bills are based on cost reflective two-part tariff with an annual access charge and a sewer usage charge per kilolitre (kl). The non-residential sewer charge is proportional to the size of the water supply service connected to the property in order to reflect the potential load placed on the sewerage system.

In accordance with best practice non-residential sewer guidelines, the minimum non-residential sewer charge must not be less than the annual residential sewer charge. For non-residential customers, an appropriate sewer usage charge is required for the estimated volume discharged to the sewerage system, together with an access charge based on the water meter size that is applied for each and every meter connection (based on the capacity requirements that their loads place on the system relative to residential customers).

Below is a comparison of the 2022/23 financial year pricing structure:

Access Charge

Residential

Former Dubbo City Council	Access Charge
Residential	\$835.88
Residential multiple occupancy	\$417.94

Former Wellington Council	Access Charge
Wellington	\$732.43
Mumbil	\$686.29
Geurie	\$732.43
Religious	\$587.07
Wellington Unoccupied	\$648.24
Mumbil Unoccupied	\$648.24
Geurie Unoccupied	\$648.24

Non Residential

Former Dubbo City Council	Quarterly Amount	Annual Equivalent
20mm	\$109.95	\$439.80
25mm	\$171.80	\$687.19
32mm	\$281.47	\$1,125.89
40mm	\$439.80	\$1,759.20
50mm	\$687.19	\$2,748.75
65mm	\$1,161.35	\$4,645.39
80mm	\$1,759.20	\$7,036.80
100mm	\$2,748.75	\$10,995.00
150mm	\$6,184.69	\$24,738.75

Former Wellington Council	Quarterly Amount	Annual Equivalent
20mm	\$97.64	\$390.56
25mm	\$152.56	\$610.25
31mm	\$234.58	\$938.32
32mm	\$249.96	\$999.83
38mm	\$352.48	\$1,409.92
40mm	\$390.56	\$1,562.24
50mm	\$610.25	\$2,441.00
80mm	\$1,562.24	\$6,248.96
100mm	\$2,441.00	\$9,764.00
150mm	\$5,492.25	\$21,969.00
Un-connected service	\$155.49	\$621.97
Connected Service No Meter	\$176.51	\$706.04
Commercial (non-profit) 50mm	\$156.70	\$626.78
Churches*		
Connected Villages		\$503.14
Connected Wellington		\$503.14

Usage Charge

Former Dubbo City Council	\$2.40/KL
Former Wellington Council	\$1.04/KL

Typical residential bill (TRB)

Former Dubbo City Council	\$836
Former Wellington Council	\$732

In making our recommendation on prices, several different price paths were considered and aimed to balance affordability with the need to ensure Dubbo Regional Council has enough income to meet its obligations and service standards and improve services over time.

REPORT

Consultation

- Council engaged the following external consultants for legislative advice and scenario modelling:
 - NSW Public Works
 - Morrison Low
- A number of key internal stakeholder sessions were held to discuss the financial impact of various scenarios

Resourcing Implications

- There are no resourcing implications arising from the report or recommendation

Financial Implications

Modelling for the proposed pricing structures is based on the average water consumption for the last three financial years (2019/2020, 2020/2021 and 2021/2022). Climatic conditions and customer response to increasing usage prices are both a factor in total water consumption sales.

The recommended pricing structures for Water and Sewer Harmonisation have been developed to minimise the impact on ratepayers. It is considered the strong current financial position of both the water and sewer fund allow Council to consider adopting pricing structures that harmonise the charges and maintain the existing 2022/2023 income. The recommended pricing structures do not result in a CPI increase to Council's total water and sewer income in 2023/2024.

Budget forecasting for 2023/2024 for the recommended water pricing structure would result in a potential reduction in total water income of -\$115,000 (access and usage) if water usage remains similar to prior financial years. Actual water consumption for the 2023/2024 financial year will determine the impact on Councils income.

Budget forecasting for 2023/2024 for the recommended sewer pricing structure would result in a \$25,000 increase in total sewer income.

Full budget implications will be considered with the 2023/2024 Draft Operational Plan.

Options Considered

- Single tiered water tariff versus inclining water tariff
- Maintain the existing pricing regime and not harmonise
- Harmonise and use a pricing regime based on the former Dubbo City Council
- Approximate typical residential bills advised by Public Works
- Approximate typical residential bills advised by Morrison Low

Preferred Option

- Single tiered water tariff

Limitations of all of the options considered are:

- The proportion of income that is generated from non-residential customers has a significant impact on the outcomes, as typical residential bills are affected by the contribution of non-residential customers to the total income.
- The typical residential bill is the bill paid by a residential customer who uses the average residential water consumption.
- The 'average residential water consumption' may be impacted by climatic conditions.
 - 2017 data shows that the average residential consumption per property was 322kl
 - 2022 data shows that the average residential consumption per property was 250kl

Limitations of the preferred options are:

- Public Works only provide a typical residential bill and do not specify what the access charge and usage charge should be.

Below are examples of properties and the impacts using the preferred option:

Residential

Former Council	Water Access Charge	Water Usage Kl	Water Bill	Sewer Bill	Total Bill
Dubbo	Water access 20mm	45	\$393	\$836	\$1,229
Wellington	Domestic	45	\$559	\$732	\$1,291
<u>Preferred Option</u>	<u>Water access 20mm</u>	<u>45</u>	<u>\$404</u>	<u>\$806</u>	<u>\$1,210</u>
Dubbo	Water access 20mm	150	\$627	\$836	\$1,462
Wellington	Domestic	150	\$813	\$732	\$1,546
<u>Preferred Option</u>	<u>Water access 20mm</u>	<u>150</u>	<u>\$644</u>	<u>\$806</u>	<u>\$1,450</u>
Dubbo	Water access 20mm	250	\$849	\$836	\$1,684
Wellington	Domestic	250	\$1,055	\$732	\$1,788
<u>Preferred Option</u>	<u>Water access 20mm</u>	<u>250</u>	<u>\$872</u>	<u>\$806</u>	<u>\$1,678</u>
Dubbo	Water access 20mm	500	\$1,404	\$836	\$2,239

Wellington	Domestic	500	\$1,670	\$732	\$2,402
<u>Preferred Option</u>	<u>Water access 20mm</u>	<u>500</u>	<u>\$1,441</u>	<u>\$806</u>	<u>\$2,248</u>
Dubbo	Water access 20mm	1,000	\$2,514	\$836	\$3,349
Wellington	Domestic	1,000	\$2,996	\$732	\$3,728
<u>Preferred Option</u>	<u>Water access 20mm</u>	<u>1,000</u>	<u>\$2,581</u>	<u>\$806</u>	<u>\$3,388</u>

Non Residential

Former Council	Description	Water Access Charge	Water/Sewerage Usage Kl	Water Bill	Sewer Bill	Total Bill
Dubbo	Beautician	Water access 20mm	184	\$702	\$793	\$1,495
Wellington	Beautician	Commercial 20mm	184	\$853	\$524	\$1,377
<u>Preferred Option</u>	<u>Beautician</u>	<u>Water access 20mm</u>	<u>184</u>	<u>\$721</u>	<u>\$819</u>	<u>\$1,540</u>
Dubbo	Bakery	Water access 20mm	275	\$904	\$990	\$1,894
Wellington	Bakery	Commercial 20mm	275	\$1,005	\$643	\$1,648
<u>Preferred Option</u>	<u>Bakery</u>	<u>Water access 20mm</u>	<u>275</u>	<u>\$929</u>	<u>\$1,081</u>	<u>\$2,009</u>
Dubbo	Fast Food	Water access 32mm	5,500	\$12,961	\$13,610	\$26,571
Wellington	Fast Food	Commercial 32mm	5,500	\$13,201	\$6,384	\$19,585
<u>Preferred Option</u>	<u>Fast Food</u>	<u>Water access 32mm</u>	<u>5,500</u>	<u>\$13,312</u>	<u>\$14,157</u>	<u>\$27,469</u>
Dubbo	Motel	Water access 40mm	1,500	\$4,504	\$5,091	\$9,595
Wellington	Motel	Commercial 40mm	1,500	\$5,222	\$2,966	\$8,188
<u>Preferred Option</u>	<u>Motel</u>	<u>Water access 40mm</u>	<u>1,500</u>	<u>\$4,627</u>	<u>\$5,273</u>	<u>\$9,900</u>
Dubbo	Grocery Outlet	Water access 50mm	2,695	\$7,818	\$8,295	\$16,113
Wellington	Grocery Outlet	Commercial 50mm	2,695	\$9,057	\$4,719	\$13,776
<u>Preferred Option</u>	<u>Grocery Outlet</u>	<u>Water access 50mm</u>	<u>2,695</u>	<u>\$8,031</u>	<u>\$8,595</u>	<u>\$16,626</u>

Planned Communications

- In 2023 Council will be engaging the community to make sure that they are fully informed.
- A flyer was included in the February 2023 rates instalment that outlines Council's consideration of achieving harmonisation of water and sewerage pricing across the Dubbo Regional Council local government area. The February Rates instalments was issued to all ratepayers on 19 January 2023.
- Following from Council's decision, a series of information sessions will be conducted with identified community groups/stakeholders – this is to inform the rationale behind Council's proposal.
- Then the collaborative style engagement will take place during the Public Exhibition period of Council's Draft Budget that includes details of fees and charges for water and sewer, with consultation happening in April/May 2023.