

Joint House Department
(Submission To)

Independent Competition and Regulatory Commission

Investigation into Prices for Water and
Wastewater Services for the ACT

January 2004

Summary

The Joint House Department has the role of maintaining and operating the Australian Parliament House. The Parliament House site, with a water consumption of around 250 – 300 ML/ annum (in a normal rainfall year), is one of the largest water consumers in the ACT. Similarly with an annual bill of around \$300,000, the Parliament House site is also one of ACTEW’s largest sewerage customers. As such, the Joint House Department is part of the category that the Commission would label as a large non-residential user.

The Joint House Department is gratified that the Commission has recognised that there are a number of “issues” that relate to large non –residential users, which need further consideration in future ACT pricing regulation. Unfortunately, the draft pricing directions as written, particularly the parts on the pricing tariffs proposals (eg proposals A and B) do not appear to demonstrate any focus on the needs of large non-residential users, within the next regulatory period. The Department would hope that our interpretation is incorrect, and accordingly, it would submit that the Commission’s draft pricing directions and report should be modified to incorporate:

- Suggested reforms for large non-residential consumers.
- A timetable of activities, wherein failure to achieve set milestones will strand ACTEW Corporation without annual increases.

Many of the “issues” identified by the Commission have been outstanding for a number of years now, despite their being raised previously by the Joint House Department. The Department is concerned that other perceived work pressures might distract ACTEW, and as such it will not address these “issues”, unless compelled to do so by a regulator.

This submission has been prepared to assist the Commission in addressing these “issues” by offering some potential solutions to many of those issues. The Joint House Department would welcome the opportunity to discuss with you the timetable that should attach and our staff would only be too happy to meet with your staff, as required during the finalisation stage.

The Joint House Department has read the Independent Competition and Regulatory Commission’s (ICRC) draft report and draft pricing direction and has identified a number of issues that it wants to draw to the Commission’s attention as needing immediate attention. Also, the Joint House Department has recently had a detailed and independent audit of the water use on the Parliament House site. This included an analysis of pricing policy applicable to the site (including some benchmarking against other water and wastewater authorities) and the development of a longer term water strategy. From this work the Joint House Department has identified what it believes are a number of shortcomings in the current ACT pricing mechanisms, for water and wastewater services, all of which it would also like to draw to the ICRC’s attention.

The Joint House Department believes that many of the issues identified below are common to a number of large consumers in the ACT, particularly:

- The National Capital Authority and
- Canberra Urban Parks and Places

Both of those bodies direct most of their water consumption into irrigating community assets. In addition, there will be a number of other organisations ranging from educational facilities to commercial outlets that are affected by previous inaction and this is made worse by the fact that many other states have been making considerable progress in these same areas of concern. For example, many have already delivered separate tariffs for large non-residential consumers. The Department would, therefore argue strongly that considerable priority must be put into having these issues appropriately addressed during the next regulatory period.

These “issues” are summarised below to offer a quick overview of the Joint House Department’s views and concerns in relation to ACTEW Corporation’s pricing policies. This includes the Department’s views to the proposed pricing directions espoused in the Commission’s Draft Report and Draft Pricing Directions (December 2003). Each issue is discussed in more detail in the following sections, to provide the Commission with more background and detail, as to the importance of each issue.

- There is a mistake on page 146 of the draft report, where it is identified that there is a fixture charge of \$183.10 for the third and each additional fixture (pedestal). This charge does not apply to bodies like Parliament House instead, the Joint House Department actually pays \$366.20 per additional fixture (initial 2 fixtures \$354.20).

There has been a significant rise in the unit rates applicable to these supplemental fixtures over the last three financial years, with the result that there has been double digit per annum increases in the sewerage charges for the Parliament House site for this period. These rises in the secondary component of the pricing discriminate against any organisation with a large number of pedestals and are not reflective of the actual costs incurred by ACTEW in treating sewage from those organisation. (Refer section 1.0)

- The current ACTEW wastewater policy discriminates against Parliament House by overcharging it an estimated \$200,000 per annum. For example, it can be demonstrated that the Joint House Department effectively pays the equivalent of \$4.61/ kL to discharge the same quality of sewage effluent into ACTEW’s sewers, as the average residential ratepayer, who pays only \$1.42/ kL.

The ICRC’s draft report and pricing direction paper acknowledges that basing a sewerage charging policy on fixture numbers is inappropriate and also indicates that even ACTEW has recognised this. It is indicated in the Commission’s draft report that they (ACTEW) “**may**” address this residential cross subsidy in 2006/ 2007. This is an improvement from

previous positions adopted by ACTEW in discussions with the Joint House Department. However given the extent of the cross subsidy, (\$200,000 per annum or 65% of the Parliament House site's total sewerage bill), it is unacceptable that the review be delayed until 2006-2007. The Joint House Department strongly recommends that this issue be addressed for the 2004/2005 financial year. If that cannot be accommodated within this timeframe, provisions need to be incorporated in any interim pricing system whereby the Joint House Department can be compensated back to the 2003/2004 financial year.

The Joint House Department should not have to bear such an overpayment from a system that is both contrary to the Council of Australian Governments (COAG) reform agenda and out of step with modern industry directions. The more progressive parts of the water industry are, as acknowledged in the ICRC's report, moving to charging on the basis of a percentage of the water consumed by the property or a set charge per unit that achieves a similar effect. This linking of wastewater to water charges increases the effectiveness of any price signals, by offering a potential double saving to those that become more water efficient. (Refer section 2.0) The Joint House Department has had the volumes of effluent produced by the Parliament House determined and such a charging basis for the Parliament House Site could be easily established.

- The Joint House Department would argue that, whilst ACTEW is allowed CPI plus X rises over the regulatory period, it will never deliver the efficiencies of operation and capital expenditure that it should. The ICRC report particularly in section 7 (Operating Costs) highlights ACTEW's failure to quantify any such efficiencies in the last regulatory period. As such the Joint House Department believes that the ICRC is contributing to this by allowing ACTEW CPI plus X increases (Water Rises CPI plus 2.4 % and Sewerage Rises CPI plus 0.5%). The Department would argue that over the next regulatory period, ACTEW should be confined to CPI minus X increases.

The Joint House Department budgets have been subjected to CPI minus 1.5% at least since 1992 and this has delivered significant efficiency gains. The Department submits this not as proof of the above but an understanding that there has been a general industry trend to CPI minus X budgets in order to **force** efficiencies. The Department believes forcing this on ACTEW for the next regulatory period would not just deliver the quantification sought in the ICRC's draft report but would also ensure a greater level of transparency in relation to ACTEW's costs.

The need for greater and urgent efficiency gains in the ACT are possibly best highlighted to the Department by its recent benchmarking exercises that indicate the ACT's water is, (with the exception of Townsville), the most expensive water in Australia for larger users. When the WAC is added to these costs, the ACT will find itself at a considerable disadvantage in any attempts to attract further industry to the Capital.

The Joint House Department is also concerned that ACTEW has, since 1999/2000 (for larger consumers) been increasing its water costs by 6.1%/annum, on average. This is well beyond the CPI plus 2.4% being proposed and does not reflect the passing on of any efficiency gains made from downsizing and other efficiency activities they have undertaken (Refer section 3)

- The significantly higher rises in water and wastewater costs for large non-residential customers compared to the residential sector, further highlights the need for the ACT to have a separate tariff structure for large non-residential customers. ACTEW had committed itself to delivering pricing reforms in its 1994 Future Water Strategy (tasks 33 to 42 in that strategy document, as well as other tasks 81 – 83 on drought water pricing and other tasks related to understanding the needs of its larger customers). Unfortunately in the subsequent 10 years little progress in this area has been made that the Department can determine. This situation is exacerbated by the fact that many other authorities now have special unit rates or different tariffs recognising that large non-residential users have a consistent load (not the difficult to plan for peaks and troughs of others) and have limited scope to alter their consumption. These other authorities and their governments offer some relief for the larger non-residential user, as detailed in section 6.

The Joint House Department has tried to raise these issues before with ACTEW, but has found only deaf ears and believes that unless ACTEW is compelled to deliver a new pricing structure within the proposed regulatory period, it will again fail to deliver such reforms. Thereby continuing to disadvantage this larger non-residential group and using them as a form of cross subsidy to the residential sector. (Refer Section 4)

- The ICRC Draft Report indicates that ACTEW has been doing more in relation to effluent reuse each year over the past regulatory period, but is still falling below the 20% reuse by 2013 requirement, under the Territory Owned Corporations Act 1997 (TOC) which govern its operations. The Parliament House Site and the Parliamentary Triangle would seem to offer one of the best and potentially most economical opportunities for effluent re-use. The Joint House Department is keen to reduce potable water use for irrigation by adopting effluent reuse. ACTEW are not keen to provide effluent recycling due to the high costs to them of producing and distributing the effluent. ACTEW are not attempting to price effluent reuse schemes at attractive levels and do not appear to want to achieve the 20% TOC requirements.

The Department notes the Commission's concerns over the potentially poor economics of effluent reuse, but believes that there has been no real attempts (certainly not one that has been made public) to quantify what the real economics of effluent reuse in the ACT are. Such economics need to take into account matters such as:

- The actual capital and operating costs of the reuse plant.
- Savings associated with augmentation deferral of lower Molonglo Wastewater Treatment Plant.
- The Impacts of Load Based Licensing and the charges that will apply to nutrients such as phosphorous when applied to the ACT.
- The deferment of further dams.
- Other infrastructure augmentation no longer required.
- The replacement costs of lost community assets during droughts.
- The environmental costs of water.

The Department would also suggest that the above investigation be done as an independent exercise, with all large consumers offered the chance to input into the investigation's findings. Once these economics are defined and subject to final public scrutiny, the ACT government will be in a position to determine if it wishes to proceed with its TOC commitments. Such decisions will also provide a clear direction on effluent reuse for the Commission in subsequent regulation. Independent market research by ACTEW in 1994 demonstrated that over 90% of the community supported effluent re-use, and the movement back to water restrictions would probably reinforce this previous commitment. If the ACT Government does wish to proceed with the reuse directions, then potentially, some of the funding for this could be from the WAC, offsetting any poor economics.

- The two proposed tariff structures as set out in the draft ICRC paper (ie. Proposal A and Proposal B) do not fit large consumers such as Parliament House. It is suggested that these proposals be confined to residential applications only, and that a different tariff structure be established for commercial applications as detailed in section 7.0.
 - Proposal A will result in a rise of \$100,000 plus the \$37,500 that comes from the 2003 impacts of the WAC for the Parliament House Site over the costs it paid at the start of the 2003/2004 financial year. In percentage terms, this is an increase of over 38% in direct costs (and with the WAC included over 50%).
 - Proposal B will result in a rise of the order of \$20,000, which translates into a rise of 7.7% over the costs that, applied in 2003. When the WAC is included this increases to 22% again disadvantaging the large non-residential user.

Furthermore, it can be demonstrated that if Parliament House were built in Sydney, water charges would be of the order of \$65,000 less per annum (26% of current water bill). If it were located in Melbourne, the potential water charges would be \$110,000 (45% of current charges) less than what the Joint House Department is currently paying.

Proposals A and B were indicated as a means of sending pricing signals that would encourage a more sustainable use of water. They should not punish industry where the same opportunities to reduce water consumption simply do not exist or have already been taken. It is therefore suggested that a new charging policy based upon audited water use efficiency, be established for large non-residential users and details of this are set out in section 7.0 of the report.

- The proposed return on regulated assets being advocated by the ICRC is of the order of 7.0% and the Joint House Department would argue that this figure is too high for essential services like water and sewerage. The community has not invested in the assets attached to these services specifically to make a profit or a high rate of return (as most economists might argue). Rather, it invested to provide what are the two most fundamental services that enable the National Capital to be placed in its current location. These utility services are typically low risk and a monopoly operation. The Department would advocate that a 5% return is more applicable to those regulated assets. The Department would also argue strongly that the Water Abstraction Charge (WAC) should be included in the 5% calculations. The WAC would as such, represent around 3.3 % of the Return on the Regulated Assets.

The Joint House Department is of the understanding that the NSW Government has adopted a 5% figure as reasonable return on these regulated assets and the Joint House Department would support this direction in the ACT.

- A weakness of the ICRC's discussion paper is that it seeks to divorce the WAC from other charges and as such, fails to understand the impact of these total rises from a customer perspective. The combined 4.9% increase plus 2003/2004 WAC impacts will see the Joint House Department paying \$50,000 per annum more in 2004/2005 (an increase of around 20%).

Any customers (residential or non –residential), cannot sustain such combined pricing impacts, in such a short period of time, and the Department for example would struggle to meet such increases when its budget is constrained by CPI minus X increases, as mentioned previously. Rather the Department suggests the following steps be taken:

- ACTEW rises for 2003/2004 be held at nil on the basis that if the current water restrictions can be lifted, ACTEW should have increased revenue from increased water sales that will result from the lifting of these restrictions and this should at least be equivalent to the rises sought.

- Defer the second instalment of the WAC for at least a further 12 months, particularly until a Government position in terms of total cost impacts can be determined (in the light of Table A1).
 - Set up a new pricing tariff for non residential users, particularly the larger ones.
- The objective of the WAC was (as recorded in the ICRC report) originally to recover direct and indirect costs incurred and to provide a price signal, which can contribute to the efficient and environmental sensitive use of water for competitive purposes.

The Joint House Department would argue that a fee of \$0.25/kL is well in excess of any direct or indirect costs that can be substantiated in the longer term, particularly once bushfire catchment activities subside. It is also not transparent. Table A1 highlights the dangers of applying such a charge without a supportable basis and its potential impacts on the ACT, such as an inability to attract industry or just asking too much of its existing residents.

The use of \$0.25/kL charge as a pricing signal that can contribute to efficient and environmentally sensitive use of water could be supported, if those funds were being directed back into more sustainable water use practises to deliver the objective. The Joint House Department therefore objects to those funds being directed to general revenue, suggesting rather that a separate fund be established to deliver this sustainable water use and that funds be directed there. The approximate \$15 million per annum in funds generated by the WAC should be accounted for in a transparent manner.

The Joint House Department requests that all of the above issues be raised and resolved during the next regulatory period.

When all of the above issues are considered, the Joint House Department would argue that the ACTEW Corporation does not appear to understand the needs of its large customers. The Department would argue strongly that the final ICRC Report should give ACTEW the message that it needs to consider the requirements of its larger users, when setting price structures and that they should eliminate all cross subsidies.

BACKGROUND OF THE IMPACTS OF THE DRAFT ICRC REPORT ON LARGE NON-RESIDENTIAL CUSTOMERS LIKE THE PARLAMENT HOUSE

The most fundamental aspect of the draft ICRC report is that large non-residential users seem to again fall between the cracks of the proposed pricing directions. This is despite the fact that a case for a separate water tariff and revisions to the wastewater tariff for this category can be readily demonstrated. This situation cannot be allowed to continue into this regulatory period, particularly as many of these bodies have at considerable expense to themselves, taken significant efforts to become more water use efficient. Despite this investment they now find themselves disadvantaged in the longer term by some of the proposed pricing initiatives.

Set out below are a number of ways that the Joint House Department believes the ACT can rectify this situation in relation to the large non-residential users. These must be addressed in the next regulatory period.

The ACT now essentially has some of the highest priced water and sewerage services for large non-residential customers in Australia, as confirmed to the Department by a quick phone survey of other authorities. In addition the draft ICRC report contains a number of references to what would appear to be the Commission's belief that ACTEW has failed to perform (or at least quantify its performance) in areas such as:

- *Demonstrating efficiency gains in its operations, and*
- *The construction of the new Stromlo and Googong Water Treatment plants within previously agreed timeframes.*

The Joint House Department itself has not, over the last few years, been able to hold meaningful dialogue into ACTEW's sewerage charging policy, which the Department believes can be clearly demonstrated to discriminate against large non-residential users. As such, it has not even bothered to open dialogue on a more meaningful water tariff structure.

This record of poor performance, covered by elevated prices must stop, as the ACT's water prices are already at a level where they could discourage business relocating to the ACT. Unfortunately the Department does not see these issues being addressed in the ICRC's proposed draft report and pricing direction. Rather it believes that the proposed pricing directions from the Commission should include

- *A reassessment of pricing policies for large customers in 2004, particularly eliminating any cross subsidies. A new tariff structure should be struck for large non-residential customers that better reflects the lower costs these are to the service organisation, as can be recognised by the lower rates struck for large non-residential customers by many other water authorities.*

- *A commitment from ACTEW and the ACT government to provide greater drought security to ACT Consumers or reduce prices so that the ACT does not pay a significant premium for lesser standards.*
- *Any customer service standards to be set by ACTEW for the large non-residential users should involve some active participation by such users in setting such standards.*
- *Strict timeframes to be met by ACTEW in achieving these pricing reforms or penalties such as reduced prices to apply for failure to achieve the timeframe.*

The remaining sections of this report attempt to provide further detail and background to the positions adopted by the Joint House Department.

1.0 Charges for Supplementary Toilets

In the 2000/2001 financial year, sewerage charges for Parliament House that related to the third and supplementary toilets were only a fraction of the initial charge for the first two toilets. Now in 2003/2004 the Joint House Department pays:

- \$354.20 for each of the first two toilets
- \$366.20 for the each remaining toilet.

The impact is that the Parliament House is now effectively charged as if it were 847 homes (with 820 toilets). An independent audit of the site has determined that discharges from the site are the equivalent of only 260 houses. Given that the Parliament House sewage is the same “strength” as the sewage effluent discharged from residential dwellings, it is clear that the Department pays an inequitable tariff.

The initial costs for the first two toilets have increased slightly for the last three years. However, the supplementary charges for the third toilet onwards have increased significantly, with the result that these charges in the last three years have resulted in an average price increase for sewerage service of around 11% per annum (see Tables 1 and 2).

No explanation has ever been provided to the Joint House Department as to why these supplementary charges have suddenly been increased by so much. The Joint House Department as such believes that ACTEW has been abusing its monopoly supplier position.

Table No 1
Historical Pricing of Sewerage for Parliament House
Annual Rates

Year	Costs (\$)	Cost/kL (\$)
1999/2000	220,430	3.39
2000/2001	225,720	3.46
2001/2002	266,010	4.09
2002/2003	289,580	4.46
2003/2004	299,908	4.61

Notes

1. *Average growth over period of table in sewerage costs is 9.0% /annum, with the figure around 11%/ anum for the last three financial years.*
2. *Periods in table chosen to coincide with the introduction of pricing regulation in the ACT.*

Table 2 allows comparison of these Parliament House cost increases against those experienced by the residential users, for parity purposes. The residential increases have not been as significant although 2003/2004 has seen the resident incur a slightly higher increase. However, in terms of the cost per kL, a significant gap remains between the two categories of user, producing what is essentially the same strength effluent.

Table No 2
Residential vs Non-Residential Sewerage Price Increases

Year	Parliament House			Residential		
	Costs (\$/kL)	Increase charges /year (%)	Increase since first year (%)	Costs (\$/kL)	Increase charges /year (%)	Increase since first year (%)
2000/2001	3.46	-	-	1.26	-	-
2001/2002	4.09	17.9	17.9	1.31	3.9	3.9
2002/2003	4.45	8.9	28.3	1.36	3.8	7.9
2003/2004	4.61	3.6	33.2	1.42	4.4	12.7

The comments made on page 146 of the ICRC's report raised concerns that the ICRC might not be aware of the impact that this dramatic elevation in rates applicable to the supplementary toilets has had on the Joint House Department. This ICRC report lists these costs as only \$183.10, a discounted figure, which applies only to the charitable organisations that are offered a 50% reduction. The Joint House Department in fact pays \$366.20 /toilet, as indicated previously.

The Department asks that a charge that better reflects what are the actual costs to provide sewerage services to a site like Parliament House be implemented and that charges based on counting toilet numbers be eliminated as they have been in so many other locations. A better system is advocated in the next section.

2.0 Current Sewerage Pricing Policies

The current ACTEW sewerage pricing is based upon charging for the number of pedestals (or fixtures) that the property has. As indicated in section 1.0 above the Parliament House is effectively charged as if it were 847 homes, whilst only contributing the equivalent of 260 homes in sewage. The result is that the Parliament House is overcharged by an estimated \$200,000/annum, which is around 65% of the total sewerage bill for the whole Parliament House site. This simple equation demonstrates the inadequacies of a sewerage charge based on pedestal numbers for large non-residential users. One defence of the current sewerage charging policies would be if the Parliament House discharged a peak flow that required additional infrastructure to accommodate that peak discharge. However an independent audit has indicated that there are no such peak loads and that most discharges from the Parliament House occur in general away from the normal diurnal peaks, experienced in the ACT sewerage system.

This cross subsidy from the commercial sector to the residential sector is further evidenced by a further simple unit rate calculation. The Joint House Department is charged \$4.61 for every kilolitre of sewerage produced on the Parliament House site. The average ACT resident is charged \$1.42 per kL of sewerage discharge, despite the fact that both discharge a similar "strength" effluent (water quality). Strength of effluent quality is the only other justification that could support such a discrepancy in a charging policy.

The current pricing system discriminates against the Parliament House site simply because it has a large number of toilets to accommodate staff, the needs of federal members and the large number of visitors to the site each year. However the Joint House Department believes that this same discrimination would also apply to other sites producing domestic strength effluent in low overall volumes. Typical examples of this would be.

- Universities and Schools
- Retail
- General Commercial
- No water using industry

In short, the above are disadvantaged simply by providing for the needs of their users, or in meeting the requirements of particular building codes. Furthermore it is noted that the following major urban water authorities are all now effectively charging for sewerage as a percentage of the water consumed on the property:

- South East Water
- City West Water
- Yarra Valley Water
- Hunter Water
- WA Water

Each has a set formula, wherein the sewerage charge is determined from the actual property's water consumption, multiplied by a discount factor that more appropriately reflects the likely return of flows to the sewerage system. There are differing discount factors for residential and differing types of industry. Even Sydney Water charges the NSW Parliament House, on the basis of the water consumed on that site rather than on a less representative system. Rather than discount factors their trade waste officers estimate volumes of water discharging back into the sewerage system and apply a rate to that amount for non-residential customers.

At a local government level the NSW Ministry of Energy and Utilities has stated the following in its guidelines for Water Supply, Sewerage and Tradewaste Pricing for local Government:

“Historically, water utilities in Australia have used tariffs based on land values. Many utilities also have had additional charges per water closet or urinal. As noted, these do not provide an appropriate pricing signal. Basing access charges on land values are inequitable and leads to inefficient allocation of resources and basing charges on urinal numbers is less cost reflective than a two part tariff for non-residential consumers.”

NSW Local government is now moving to better reflect actual usage patterns, rather than land valuations, toilet numbers etc.

The ICRC draft report and draft pricing direction paper appear to indicate that not only has the Commission reached the same conclusion that the current sewerage pricing policy is outdated, but so to it would seem has ACTEW. According to that report however, ACTEW have indicated that they “**may**” alter this pricing system in 2006/07. The ACTEW position is simply unacceptable to the Joint House Department, who will have to continue wear overcharges of some \$200,000 annum and can see no logical reasons for why it should have to pay for ACTEW's inactivity.

This matter was raised with ACTEW well over 12 months ago and as such, ACTEW should already be taking steps to address the matter, although to date they (ACTEW) have not demonstrated any support for the Joint House Department's position. As such the Joint House Department has no faith that ACTEW will commence this pricing review in 2006/2007 and has major concerns at the inclusion of the word “**may**” in any submission. The Department believes ACTEW is simply endeavouring to put off addressing this issue, for fear of what it might do to its revenue base in the short term.

The Joint House Department believes ACTEW needs to be directed to address this issue as a matter of urgency, for the 2004/2005 financial year. At a minimum the final ICRC report needs to convey the message to ACTEW for it to focus on the needs of its large non-residential users in the next regulatory period.

If the Commission believes ACTEW needs to be given a little more time to address this wastewater policy, then the Joint House Department would be seeking to have provisions made whereby it can be refunded back to the 2003/04 financial year for all overcharged sewerage rates. As a water conscious customer the Joint House Department should not be paying for the service agency's inaction, particularly where a clear case of social inequity and cross subsidy can be demonstrated, and has been brought to the attention of ACTEW long enough ago.

It is proposed that a pricing system for non-residential consumers (such as Parliament House) should be developed based upon:

- An access charge.
- A volumetric charge (as percentage of water consumption) ie. Parliament House sewerage has been determined as 26% of the total water consumption.
- A strength component as would typically apply to tradewaste and would be measured as quantity of particular parameters such as BOD, NFR, P, N, Oil and Grease, etc. (This would be applicable to tradewaste charges and not the effluent produced by Parliament House).

The Joint House Department would be happy to participate in any workshop of large non-residential users to assist in the formulation of such a policy. The ICRC must be aware that any new pricing policy for large non-residential customers should overcome cross subsidies and not simply be a rewriting of pricing methods to achieve the same net returns to ACTEW.

3.0 The Need for CPI minus X Price Increase

Table 3 shows that for the last 8 years water costs for large users have been increasing by around 6.1% /annum.

Table No 3
Historical Pricing of Water Parliament House
Higher Usage Rate Only

Year	Upper Unit Rate (\$)	Increase over Previous year (%)	Increase since first year (%)
1999/2000	0.83	(9.2)	
200/2001	0.86	3.5	3.5
2001/2002	0.94	9.3	13.2
2002/2003	0.97	3.2	16.9
2003/2004	1.05	8.3	26.5

Notes

- 1 There appears to be a curious pattern of high biannual increases that is not well understood.*
- 2 Figure for 1999/2000 was a rise of 9.2% over its previous year but not entered into the cumulative calculations rather just amplify note 1 above.*

In support of the above table, is Table A1 in Attachment A, wherein contact has been made with a number of other water authorities in Australia and the ACT's water costs have been benchmarked. The figures have been gained from a phone poll, and as such need to be verified against the printed information produced from each organisation to ensure that there have been no mistakes made in the information gathering process.

Based upon Table A1 it would appear that with the exception of Townsville Council, the ACT's water costs appear to be higher than any of the other Australian Water Authorities, spoken to in the survey, particularly when applied to the larger water users. This statement also applies without the inclusion of the WAC and as such they raise questions over the overall efficiency of ACTEW and its subcontractors.

The Department notes that the ICRC report contains a view that ACTEW has not demonstrated that it has achieved the levels of efficiency that the Commission believes it should have achieved. Table 3 shows that ACTEW has been able to effectively get away with CPI plus X increases in water charges for a number of years for large users and the Department would contend that this situation has now lead to the situation that Table A1 is demonstrating. That is, the ACT has some of the highest rates for large users of water anywhere in Australia. As such the Joint House Department strongly believes that whilst ACTEW is able to continue with CPI plus rises, these efficiencies will never be forthcoming.

The Joint House Department has since at least 1992, had any increases in its budgets confined to rises of CPI minus 1.5%, with a specific view that it would force efficiencies from the Department. In 2004 those efficiencies can be clearly demonstrated to anyone.

For the Joint House Department meeting ACTEW's CPI plus 2.4% increases is becoming impossible from such constrained budgets, particularly when a water extraction charge is added on top of these charges. For the charges to remain budget neutral, JHD must now find 4% efficiency in water per year. This is an impossible task borne out by the recent water audit, which identified the Parliament as an efficient water user. If the WAC increases are included, even further efficiencies are required.

It is the Department's understanding that most of the other major water authorities have had to go through a period of CPI minus X increases, until they were able to demonstrate that they could not meet increasing costs from efficiency gains. The Department shares the same view as the Commission in that there is nothing unique in ACTEW's operations certainly nothing that is enough to justify CPI plus X rises.

It would appear to JHD that ACTEW has for a number of years used the non-residential area to cross subsidise its other operations, in clear breach of what are COAG reform directions. ACTEW lags behind many other major water authorities in applying appropriate pricing signals to larger users, whose needs essentially remain constant, are easily planned for, and which assists the system by occurring outside system diurnal peaks.

The Department would argue that ACTEW should receive CPI minus 1.5% for the forthcoming regulatory period, and then ACTEW would have no choice other than to find the efficiencies that are required of it from its operations and its capital program. The Joint House Department suggests that the proposed ICRC rises will only serve to continue this lack of focus on delivering the sort of efficiencies that other major water authorities have been required to deliver. The Department, therefore, requests that the Commission review its pricing decisions for the next regulatory period.

Table A1 demonstrates that the WAC and price increases for ACTEW have gone as far as they can go for the next regulatory period. The ACT is becoming less attractive to perspective industry relocating here and moving ACT prices into parity with the rest of the industry must become a priority for the next regulatory period.

4.0 ACTEW Pricing Reform

ACTEW had previously committed itself to a significant number of pricing reforms in 1994, with the release of its Future Water Strategy. That document/ strategy addressed many of the inequities for large non –residential users. Those commitments also included addressing other inequities, such as the water restriction policy, which needed to be addressed with an entirely different approach to the residential sector. A number of formal tasks were assigned in that 1994 Strategy and a time frame was attached.

The time frame for those pricing reforms has now come and gone, but little progress has been made on many of these tasks, which this Department is aware of. As such the Joint House Department has little faith that there is the will in ACTEW at this time to address such problems, but more importantly, to establish a tariff that is truly applicable to the large non-residential users. The Joint House Department believes that unless ACTEW is compelled to deliver such a pricing structure within the next regulatory period, it will again fail to deliver the reforms that are necessary, and continue to disadvantage this

class of user, potentially using them as a source of cross subsidy. The Department requests therefore, that such pricing reform be a condition to any agreement for any rise, CPI (plus or minus) for ACTEW and that well defined time limits be established. Again the Department would welcome the opportunity to discuss these matters further with the Commission.

There are a number of alternative pricing mechanisms that the Joint House Department has endeavoured to raise with ACTEW previously but to date has not been able to attract any attention. They include:

4.1 Time of Use Metering

Many of the water and wastewater assets are designed upon meeting a peak load that occur for just a couple hours, on only a few days per year and outside of these peak hours the assets remain vastly under-utilised. As such, much of the community's investment is in assets that are effectively utilise for less than 15% of their potential capacity. An alternative to this large end of pipe mentality and away from larger scale asset replacement is to be able to offer differing tariffs based upon time of use. This is similar to what electrical users have been doing for many years. This sort of tariff encourages these assets to be more greatly utilised, and as such will avoid costly augmentations or replacement based upon lack of capacity.

The Parliament House has a potential peak instantaneous demand of around 180 L/s, which ideally should not be occurring when the ACT system is incurring its peak diurnal loads. The introduction of this time of use metering, starting with the larger non-industrial users, should be a priority project for ACTEW and should occur inside this next regulatory period. We would welcome further dialogue on this topic.

Implementation of these systems will also give ACTEW unprecedented information on how customers are actually using water and could lead to further efficiencies within the water use system that might further delay the construction of more dams. Such a system might penalise consumption for the hours of between 10.00 am and 5.00 pm in summer, when it can be documented that irrigation during these times is inefficient. A case could be easily built that this will be ever more efficient than a water abstraction charge.

4.2 Drought and Seasonal Pricing

Drought water restrictions can create a number of social problems and set neighbour against neighbour. They are, at the early levels of the restrictions, effectively about nothing more than trying to derive more efficient water use patterns. A similar effect can be achieved by simply raising the unit price of water during the drought period. This can be more equitable for larger irrigators like Parliament House, who effectively have to lose a percentage of their landscape assets with every level of water restriction. The adoption of drought

water pricing also has the benefit of offsetting some of ACTEW’s profit losses, due to reduced consumption.

Seasonal water pricing will always discriminate against a site like Parliament House, where nearly 70% of the water is used externally to irrigate community assets. This consumption is governed by seasonal considerations as shown in the Table No 4.

**Table No 4
External Irrigation Patterns (Seasonal)**

Period	Typical External Usage (ML)	Percentage of Annual Irrigation Usage (%)
February – May	30 – 50	24 – 30
May – August	7 – 15	5 – 10
August – October	25 – 40	16 – 22
October – February	95 – 105	40 – 50

The Joint House Department is not against seasonal charging, and would support it if a separate rate could be struck for large non-residential users like Parliament House, who are compelled to irrigate what are community assets based upon the seasons.

4.3 Automatic Meter Reading

Allied with time of use metering is automatic meter reading. This not only completes the information package on customer water usage patterns but it also allows smarter system operators to be able to spot system leakage and unaccounted for water losses, further reducing wasted water and the need for new dams. It also allows the ACT to better manage the policing of any future water restrictions, as it will know what is happening where. It is understood however that such a system will take a number of years to put in place and is something best commenced with large non-residential users.

4.4 General

The Joint House Department has tried to open dialogue on these types of pricing with ACTEW previously and has not had any success. In the sewerage field we have now seen a number of water authorities move to charging for sewerage on the basis of water consumption thus making sewerage another demand management tool, effectively offering the resident a double saving if they achieve water reductions. The current drought and bushfire has demonstrated the dangers of lagging behind where industry is moving in these areas.

The ACT was one of the first areas to move to water charging based upon usage and at that stage was in the forefront of innovative water charging. However little has changed since then and the Department believes that by the end of the next regulatory period ACTEW needs to have demonstrated that they have recaptured the initiative and have delivered at least against the sort of charging policies set out above.

5.0 Effluent Re-Use

The Joint House Department notes the Commission's concerns in relation to the economics of effluent re-use but it would argue that this is another area where ACTEW should have publicly delivered a study into what the real economics of effluent reuse are. Such a study needs to factor in all of the variables ranging from the environmental costs of water through to the savings from the deferment of capital infrastructure, to the savings on treating the effluent later at Lower Molonglo and the costs associated with the loss of community assets. The latter is becoming a real consideration, now that the ACT has again returned to the use of water restrictions after a period of some 30 years without these.

With in excess of 90% community support previously expressed for effluent reuse (ACTEW's 1994 independent market research) and a newly defined need for larger users to have increased levels of water security for their assets, the Department would contend that there needs to be some open dialogue on effluent reuse. This is possibly best achieved in a common large user's forum and figures on the true economics of such reuse should be tabled at that meeting. Even if these cost figures are not initially favourable from an economic sense, the ACT government could still assign effluent re-use to be carried out as part of ACTEW's community service obligations and indeed could even upgrade its TOC requirements on this.

Possibly there is benefit if pricing the sale of re-use water differently, than what has been traditionally done, as this source represents a more secure source than potable water, now that water restrictions have returned to the ACT. Alternatively the Government might use the WAC as the source of funds for this reuse, but confine such applications to larger community focused schemes.

Around 15 – 20% of the current water supply is used to irrigate community assets and offers a target that would significantly defer the next dam. The Parliamentary Triangle and the landscape of the Parliament House would be prime locations for more cost-effective re-use to be conducted.

Whilst the ICRC concerns over the economic efficiencies of this reuse are noted it is suggested that the following should be conducted during the next regulatory period:

- The economics of effluent re-use in the ACT be independently determined
- That from the above, a submission be put to Government to determine how they might wish to proceed with effluent re-use, if they indeed do wish to proceed.

- Revised government policy is delivered including exploring the potential to fund some of these works from the water abstraction charge and the setting of parameters on what effluent reuse projects need to display. This of course assumes that the ACT Government will want to continue with effluent reuse.

Another important outcome from all of the above would be that the Commission would have clear direction on how to deal with reuse and this can then be factored into future regulation of water and wastewater pricing.

The Joint House Department would again be happy to participate in any such review.

6.0 Tariff Structure Proposals

The two suggested tariff proposals contained in the ICRC report (Proposal A and Proposal B) translates for Parliament House respectively as:

- A rise of \$100,000 plus the \$37,500 that comes from the 2003 impacts of the WAC. In percentage terms, this is an increase of over 38% in the direct costs (and with the WAC included over 50%) that applied at the start of the 2003/2004 financial year.
- A rise of the order of \$20,000, which translates into a rise of 7.7% over the costs that applied in 2003. When the WAC is included, this increases rises to 22% or \$57,000 per annum.

Both tariff proposals simply ignore the large non-residential users and the Joint House Department would argue that they are against the stated objectives of a water tariff structure in the ICRC report for such users, viz:

- *The tariff structure should be consistent with meeting government objectives for the water sector including in relation to demand management.*
The Joint House Department has invested heavily in becoming an efficient water user and as such has little opportunity to cut its water consumption more than it already has done.
- *The tariff structure should be consistent with the principals of social equity.*
A 50% increase for the Parliament House site as opposed to a small rate rise for residents, who also have the ability to avoid larger fees, is hardly an equitable approach.
- *The tariff structure should encourage productive, allocative and dynamic efficiency.*
This tariff structure not only fails these objectives but it also fails to recognise efficient water users and potentially contributes to making the

ACT far less attractive to the relocation of potential businesses. This latter factor being reinforced by the ACT's outmoded and discriminatory sewerage charging policy. At minimum, there is a significant cross subsidy occurring.

The simple bottom line for Parliament House is as of 10 January 2004:

- Had Parliament House been built in Sydney it would have paid around \$67,000/annum (or 26%) less for its water supply by the local water authority.
- Had Parliament House been built in Melbourne it would have paid around \$110,000/annum (or 45%) less for its water supply by the local water authority.
- Had Parliament House been built in Albury it would have paid around \$195,000 /annum (or 76%) less for its water supply by the local water authority.

The Joint House Department appreciates that the ICRC is aware of the difficulties of the non-residential users and the divergence in nature between these non-commercial users, viz:

However the Commission notes that non-residential users customers account for almost half of the water used in the ACT. If a structure such as proposal A was adopted, the majority of commercial premises which use small amounts of water (less than 360 kilolitre per year) would experience price falls. However a small number of large of large non-residential customers would face increases in bills of more than 20 per cent. These potentially significant increases and their effect on usage need to be considered in any discussion on tariff structure.

However these sentiments are not reflected in the Proposal A versus Proposal B discussions raised in the draft ICRC report and miss the needs of the Parliament House site. Table A1 not only highlights previous comments made about the need for ACTEW to be driven harder towards actual fiscal efficiencies, but more alarming highlights that with the further WAC charges and with the proposed ACTEW increases, the ACT just continues to become a less attractive location for business. This includes some of the industry that the ACT Government's recent White Paper would wish to attract.

A business using 25ML of water per annum for example and wanting to relocate pays \$6,000 more for the privilege of being located in Canberra rather than Sydney, \$11,000 more than for Melbourne and considerably more than for nearly all county centres.

It short it highlights the need for a separate charge for large non-residential consumers and amplifies the concerns of the ICRC documented above. In addition to Proposals A and B, a suggested tariff for large users is set out below adopting water use efficiency as its basis. The following tariff structure is suggested for those that use more than 10 ML of water per annum.

- No access charge as it is insignificant against the total bill and just further complicates the calculations.
- No small step tariff for the first few kilolitres, whatever that figure finally finishes up as. This is because the amounts involved are insignificant and just further complicates the calculations.
- CPI minus 1.5% across a single unit rate for those organisations that can demonstrate a high level of water efficiency, as determined by independent water audit within preset guidelines.
- CPI for those organisations that can demonstrate a reasonable level of water efficiency as determined by independent water audit as again defined by preset guidelines.
- CPI plus 2.4% as advocated in the ICRC report for those who cannot demonstrate any real water use efficiency as an encouragement for those bodies to become more water efficient.

The Joint House Department would also further argue that, as the total WAC is effectively increasing the total water costs of sites such as the Parliament House by 25% there should be a moratorium on price rises. Instead the price of this unit charge (suggested above) should be held at \$1.30 (including WAC) for a period of 5 years.

However, an entirely different unit rate might offer a better solution and would be better based upon what are the actual costs to ACTEW, as the Parliament House is a known load, easily planned for and one whose primary uses of the ACT's water and sewerage services lies outside of that systems diurnal peaks. This situation already exists in the water tariff policies of many other water authorities. For example in Western Australia the following tariff structures are used for the residential and the commercial customer.

Residential Tariff Structure:

Usage Range (kL)	Unit Rate \$/kL
0 - 150	0.416
151 - 350	0.674
351 - 550	0.91
550 - 950	1.20
Over 950	1.50

Notes

Access Charge is \$149/property per annum

Non -Residential Tariff Structure:

Usage Range (kL)	Unit Rate \$/kL
0 – 600	0.693
600 – 1,000,000	0.775
Over 1,000,000	0.75

Notes

Access Charge is \$149/property per annum

Clearly there is a lower rate applicable to the large non-residential users, which are a lower cost to service and who have either no opportunity to improve their water efficiency or have already taken such steps. WA Water is not the only major water authority that offers such lower unit rates for large non-residential customers.

Locally, Goulburn City Council, which is often impacted by water restrictions, has the following tariff structure differences between its residential customers and the larger non-residential users.

Residential Customer

Usage Range (kL)	Unit Rate \$/kL
0 – 400	0.63
Over 400	1.41

Notes

Access Charge is \$225/property per annum

Non-Residential Customer

All unit rates are \$0.52/kL irrespective of consumption, for large consumers in this category who have the same access charge as residential consumers. If Parliament House were located in Goulburn then it would save the Joint House Department around \$185,000 based upon 2003 prices, rising to around \$200,000 when the additional WAC component is added. Is this another potential case of substantive cross subsidy by not recognising the lower costs of serving these large non-residential users in the tariff structure applicable to the Parliament House site.

The above mandates (arguably screams out for) the need for the creation of a separate tariff structure for large non-residential customers to better demonstrate the actual costs of servicing these customers. The examples simply demonstrate what is stated above ie because these customers are a larger constant flow, less subject to the vagaries of different consumption patterns they are more easily accommodated in system planning. Similarly they often draw on the system outside of its peak diurnal patterns better

utilising hydraulic assets and potentially assisting the performance of treatment plants. As such a lower unit rate is realistically applicable

The Department would welcome the opportunity to further discuss this proposal with ICRC staff individually but would suggested that a meeting be held with several of the other bodies that might be in this category such as Canberra's Urban Parks and Places, the National Capital Authority, the Universities etc.

7.0 Return on Regulated Assets

The proposed return on regulated assets being advocated by the ICRC is of the order of 7.0% and the Joint House Department would argue that this figure is too high for essential services like water and sewerage. The community has not invested in the assets attached to these services to make a profit or high rate of return (as most economists might argue). Rather, it has invested to provide what are arguably the two most fundamental services that enable the National Capital to be placed in its current location. These industries/ services are typically low risk and a monopoly operation and the Department would advocate that a 5% return is more applicable to them.

The Joint House Department is of the understanding that the NSW Government has adopted this figure as reasonable return on these regulated assets. The Department would also argue strongly that the Water Abstraction Charge (WAC) should be included in this regulated assets calculation as it would not be possible without these assets. The WAC would represent around 3.3 % of the Return on the Regulated assets.

8.0 Total Impacts on Customer

A perceived weakness of the ICRC's discussion paper is that it seeks to divorce the WAC from other charges, and as such fails to understand the impact of these rises from a customer perspective. The combined 4.9% increase plus WAC 2003/2004 impacts will see the Joint House Department paying an additional \$50,000 per annum more in 2004/2005 (ie. an increase of around 20%). To a person with a stand alone home and 400kL of consumption it represents an increase of \$72 per annum or 16%.

Again when put together with the examples in section 6 it just continues to point out the shortcomings of the current water pricing system and highlights the need for a separate charge for larger non –residential users.

9.0 Water Abstraction Charge (WAC)

The current abstraction levy increased to \$0.20/ kL on 1 January 2004 and \$0.25/ kL on 1 July 2004.

The ICRC report details that the objectives of the WAC were to be able to recover the direct and indirect costs incurred and to provide a price signal which can contribute to the efficient and environmentally sensitive use of water for competitive purposes

In response to this, the Department would contend that:

- At no point has the basis of this charge been demonstrated to the people of the ACT and therefore it is not consistent with what the Government would have expected from any of its agencies. As such the ACT Government has failed to meet transparency requirements.
- These costs are well in excess of what are these charges are once the impacts of the recent bushfires are removed from the normal operation.
- The potential impacts on the ACT of the WAC and the price increases cannot be considered in isolation of the total pricing impacts and that the ACT is now becoming less desirable a location for any industry as demonstrated in table A1.
- The WAC is being applied without pricing reform for large non-residential users.
- The disproportionate increases in the WAC will place unfair burdens on large users who have fixed budgets with efficiency dividends.
- The WAC is about getting community members to value their water and make their consumption patterns more efficient. The Joint House Department already values that water and has invested considerably in reducing its consumption to high efficiency levels. The WAC just penalises bodies like the Joint House Department who can do no more to reduce consumption.
- There should be exemptions from or reductions in the WAC if you can demonstrate you are a water efficient consumer, as the pricing signal intention of the WAC is lost on these consumers.
- The lack of public information on where the WAC funds will be used also fails to meet the need for transparency in the expenditure of public monies. The lack of proper information means that the message that the increased WAC was meant to convey is lost.

The Joint House Department is not fundamentally opposed to a water abstraction charge as a pricing signal, but believes that this money should be redirected back into ACT water activities. A smarter use of these funds would be to direct them into a special fund specifically targeted at addressing the longer term sustainable use of water in the region.

The WAC at \$0.25 /kL will raise around \$15 million per annum and therefore is a unique opportunity to establish the ACT as the exemplar of sustainable water use. To achieve this the fund should not be controlled by any individual agency but rather a multi agency committee where proponents would seek funding based upon the benefits offered by their particular project.

The Joint House Department would be happy to contribute an appropriate qualified and experienced staff member to such a work team/ advisory panel if it were to be formulated.

10.0 Consumers Taking too much Risk

Having established that larger ACT consumers pay a premium price for their water the Joint House Department would contend that it is unfair for these larger users to take so much risk that will continue to grow with the growth of the ACT.

Comparing Water Pricing in the ACT

Based upon a telephone survey of other water authorities it would appear that water in the ACT is the most expensive of all water on the East Coast of Australia for large water users and also for most average stand alone homes with the exception of Townsville. Indeed it would also appear that the ACT has slipped behind many other authorities with its pricing for sewerage based upon toilet numbers. For example many of the major water authorities have volumetric charges for their sewerage, related to water consumption offering a double saving to those that reduce their water consumption. In both instances volumes are estimated as a percentage of all water consumed based upon a standard residential dwelling.

Details of the costs incurred are set out in Table 1 and the following consumption values were chosen in this table as they represent:

- 200kL is around the annual consumption for persons owning an apartment, town house or flat ie 175 kL plus an allowance for evaporative air conditioning, which is becoming more accepted in the ACT. It is noted in relation to the ACTEW reference to a paper suggesting 130 kL but the basis of that paper is unknown and we would contend 175 is a more industry acceptable figure.
- 400kL should represent the average sort of consumption for a stand-alone residential property, which is considered to be an appropriate milestone.
- 1000 kL should represent the consumption of a small commercial business other than retail, which would have some minor water usage. It is also similar to what a larger home with significant gardens/lawns might use. Typically these are the homes in the older parts of the ACT.
- 25,000 should represent a larger water user generally industry based. The ACT's commercial irrigators all exceed this figure
- It is noted that the ICRC reports an average of 280 kL/residence consumption but exactly how this is derived and its overall universality is not understood, hence the above consumption points have been used in table A1.

Caution in the use as this information as Contained in the table is urged as it has been gathered in a phone survey and is not checked by reviewing the printed information of each organisation. It is possible that some of the information might have been misconstrued in the information gathering process but the above does form at least a base guide to how the ACT is progressing against other parts of the region and other Australian Water Authorities in general.

Results of Calculations

The calculations have been determined by using residential rates for the consumption up to 400 kL and the non-residential rates for the 1000 kL and 25,000 kL values and is based on 2003 /2004 figures including a \$0.20 /kL WAC. When the WAC increases to \$0.25/ kL on 1 July then the ACT Positions will become even worse. Table A1 demonstrates the following:

- The ACT is one of the higher major urban water authorities at this 200 kL level of consumption with only Hunter Water More expensive at this level. ACTEW is however continuing to reduce the first step allowance and with the additional \$0.05 /kL of WAC will become the most expensive of all authorities.
- At the 400 kL level only Yass which has major water shortage problems appears to generate a higher customer charge.
- At the 1,000 kL only Townsville is more expensive than the ACT. This gap on even Townsville will continue to close as the added \$0.05 /kL WAC is included on 1 July 2004. In Townsville however this is an irrigation rate \$1.15 /kL (second meter required). Using this figure for irrigation would then make the ACT the location with the more expensive water.
- At the 25,000 kL mark the ACT is at least 25% more expensive than its nearest rivals with the exception of Townsville. This position will continue to worsen as the added WAC is included. In Townsville however this is an irrigation rate \$1.15 /kL (second meter required). Using this figure for irrigation would then make the ACT the location with the more expensive water.

Notes in Relation to the Table:

1. *ACTEW Charges Listed, include the \$0.20 cents per kL extraction charge for water.*
2. *Residential rates used for 200kL and 400kL non residential used for higher consumptions*
3. *Hunter Water has a fixed charge of \$305.33 to cover water, sewerage and environmental levy. The water component is \$101.76. Variable charges are \$1.19/kL but this includes a percentage of the flows are returned to the sewers and thus is a combined water and sewerage variable component.*
4. *Sydney water's water fixed component is \$76.68 but there is also a fixed environmental levy not specifically related to water volumes.*
5. *South East Water Charges \$35.88 fixed water charges for water and \$0.8094 /kL for water but \$130.52 fixed charge for sewerage and \$0.8651 per kL for sewerage with a percentage of the water consumption to determine volumes.*

6. *The South Australia water rates depend upon a land value and this will vary a fixed charge of \$125 has been assumed to assist with calculation for comparison purposes.*
7. *Where costs based upon meter size a 25mm connection assumed just for purposes of table.*

Table A1
Summary of Australian Water Pricing Costs for a Range of Water Uses Major Water Authorities.

Water Agency	Fixed Component \$/Annum	Variable Component \$/kL	Cost for 200 kL / annum consumption	Cost for 400 kL / annum consumption	Cost for 1000 kL / annum consumption	Cost for 25,000 kL / annum consumption
ACTEW	125	0.63<175 kL 1.05>175 kL Plus 0.2 WAC	280.50	530.50	1,280.50	31,780.50
South Australia	Land Value	0.45 (0-125kL) 1.00>125kL	256.25	456.23	1056.25	25056.70
Western Australia Residential	149	See page 22	245.1	391.7		
Western Australia Non –Residential	149	(0.693<0-600kL) (0.775>601-1,000,000kL)			731.20	19,331.00
Darwin	Size of meter	0.66	236.43	369.75	769.70	16,768.10
City West Water Non Residential	91.80	0.7982			890.00	20046.80
City West Water Residential	84.44	0.7982	244.08	337.76		
Yarra Valley Non Residential	84.12	0.7531			837.22	18,911.62
Yarra Valley Residential	59.12	0.7757	214.26	369.40		

Table A1
Summary of Australian Water Pricing Costs for a Range of Water Uses (Major Water Authorities)

Brisbane Water Residential	100	0.84	268.00	436.00		
Brisbane Water Non Residential	100	0.89			990.00	22,350.00
Hunter Water Residential	101.76	0.98	297.76	493.76		
Hunter Water Non Residential	Meter Size	0.98			1081.76	24,601.76
South East Water	35.88	0.8094	197.76	359.62	845.28	20,270.00
Sydney Water	76.68	0.98	272.68	468.68	1056.68	24,576.68

Table A1
Summary of Australian Water Pricing Costs for a Range of Water Uses (Local Government)

Water Agency	Fixed Component \$/Annum	Variable Component \$/kL	Cost for 200 kL / annum consumption	Cost for 400 kL / annum consumption	Cost for 1000 kL / annum consumption	Cost for 25,000 kL / annum consumption
Albury	60	0.15<300kL 0.50>300kL	90.00	155.00	455.00	12,455.00
Bathurst	250	0.50 (45-300kL)	332.50	462.50	942.50	20,142.50
Cairns Residential	124.20	0.48 (first 45 kL free)	203.4	299.40		
Cairns NO-Residential	124.20	0.70			904.2	17,624.00
Dubbo	210	0.80>300kL 0.52	314.00	418.00	730.00	13,210.00
Goulburn Residential	225	0.63 <400 1.41>400	351.00	477.00		
Goulburn Non Residential	225	0.52			745.00	13,225
Riverina Water (Wagga)	80	0.65	210.00	340.00	730.00	16,330.00
Shoalhaven Water	212	0.20<300kL 0.70>300kL	252.00	342.00	762.00	17,562.00
Townsville Residential	\$414.72	Includes allowance of 776kL/annum with excess water at \$1.30 thereafter	414.72	414.72		

Table A1
Summary of Australian Water Pricing Costs for a Range of Water Uses (Local Government)

Water Agency	Fixed Component \$/Annum	Variable Component \$/kL	Cost for 200 kL / annum consumption	Cost for 400 kL / annum consumption	Cost for 1000 kL / annum consumption	Cost for 25,000 kL / annum consumption
Townsville Non Residential	Consumption Only	1.99 (0 100,000) 1.50 (100,001 – 200,000) 1.00 >200,000			1,990	49,750.00
Townsville Irrigation only	Consumption Only	\$1.15			1,150	28,750.00
Yass	200	1.00	400.00	600.00	1,200.00	25,200.00