

Media Release

24 May 2022

Central Coast Council Water prices will increase from 1 July 2022

IPART has released its Final Report on the prices that the Central Coast Council as a Water Supply Authority (CCC Water) can charge its customers for water services from 1 July 2022 to 30 June 2026.

"Our review found that CCC Water must increase its spending so that it can appropriately maintain all of the infrastructure required to provide water-related services. Customers have told us there were persistent water quality problems in some parts of the water supply system. The increases should enable CCC Water to improve the quality of services its customers receive," said IPART Chair Carmel Donnelly.

CCC Water proposed an immediate bill increase for typical residential customers of 37% in 2022-23. Under our decisions, typical household bills would increase by around \$183 (17%) in 2022-23. This is lower than the initial price increase in our Draft Report. In response to the community's concerns about affordability, we adjusted the price path to slightly ease bill impacts in the first year of the determination period. Bills would then increase by \$80 (6%) in 2023-24, \$106 (8%) in 2024-25 and \$9 (1%) in 2025-26, as well as by inflation.

Our price path allows CCC Water to recover the same amount of money over the 4-year determination period as if we had decided to allow an immediate increase of 28% in typical household bills from 2022-23. This is lower than the 37% immediate increase proposed by CCC Water. For more information on how these figures have changed since our draft decisions please see our attached Fact Sheet.

"Over 1,000 stakeholders responded to our issues paper survey and 89% indicated that they would prefer any necessary price increases be applied gradually. As a result, we have introduced the necessary price increases over the 4-year determination period in stages. We have also made recommendations to support pensioners and customers who may need extra assistance," said Ms Donnelly.

Our review identified the need for CCC Water to substantially improve its performance and accountability to the community. We have recommended a set of performance measures to drive accountability, and that the NSW Government authorises us to review CCC Water's progress in 2 years' time.

"We also recommend the NSW Government considers the merits of amending the legislative framework for monitoring performance and compliance of CCC Water. Other major water utilities in NSW are subject to an operating licence, which may be one option to consider," said Ms Donnelly.

The Final Report, Determination, and Bill Calculator are available via IPART's [website](https://www.ipart.nsw.gov.au).

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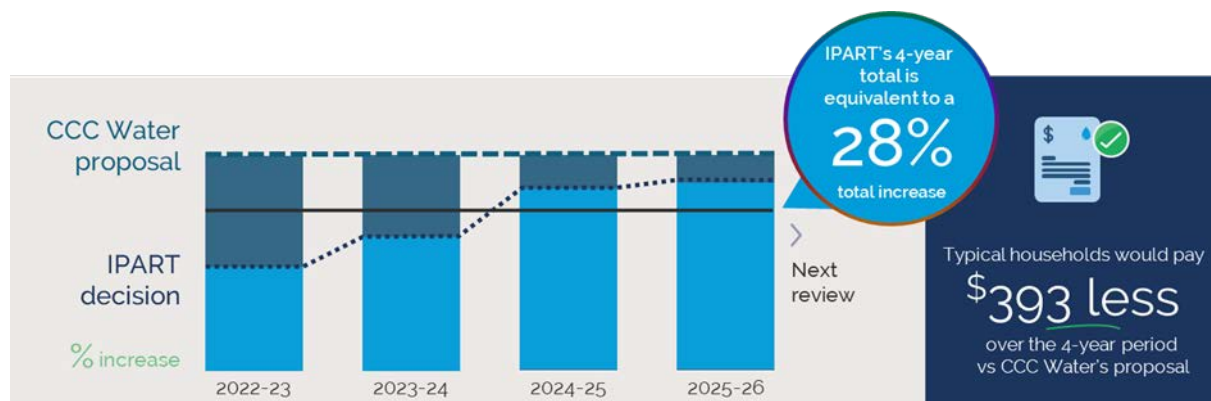
Fact Sheet – CCC Water and IPART prices compared

The maximum prices we have set would increase typical household bills by about 17% (or about \$183) to \$1,242 on 1 July 2022.¹ Typical household bills would then continue to increase by 6%, 8% and 1% (plus inflation) over the next 3 years.

Our pricing decisions allow CCC Water to collect the same amount of money from customers over 4 years as if we had decided to allow an immediate increase of 28% on 1 July 2022. This is lower than the 37% (i.e. about \$397) bill increase CCC Water proposed begin from 1 July 2022.

CCC Water initially proposed a 34% bill increase, however, as explained further below, updated for inflation, this now represents a 37% increase. We updated this to show what the bill impacts would be if we had accepted CCC Water's proposal in full.

Inflation has been the main driver of changes between our Draft Report and Final Report. Our draft decisions would have allowed CCC Water to collect the same amount of money from customers over 4 years as an immediate increase of 25%, however, as explained further below, updated for inflation, this now represents a 28% increase.



We set prices to increase in stages instead of all in one go

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

¹ A typical household bill is based on a household living in a house, with a water usage of 170 kilolitres (kL) a year.

For typical households, the bill impacts of the prices we have set are also lower than those under CCC Water's pricing proposal because we set prices to recover IPART's assessment of CCC Water's efficient costs, rather than the costs proposed by CCC Water.

In setting prices to recover CCC Water's efficient costs, we consulted on whether we should apply any required price increase immediately from 1 July 2022 or apply it in stages over the 4-year determination period. We considered all feedback and weighed up several options for staged price increases over the 4-year determination period.

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

We consider our price path best balances the need to minimise overall bill impacts for customers, particularly in the first year of the determination, while ensuring CCC Water recovers its required revenue in each year of the period and has the funding needed to improve water services.

We also note that our 2022 Determination sets prices to 30 June 2026. We plan to review CCC Water's costs again, ahead of the next determination (scheduled for 2026-27) and set prices to ensure that customers pay no more than needed for their water services.²

Inflation is the main driver of changes between our Draft Report and Final Report

Changes in inflation were the main driver of the change in prices between our draft and final decisions. Table 1 presents the key drivers of the price increases and typical bill impacts since our draft decisions.

Between our Draft and Final reports, we applied inflation updates to update costs (both operating and capital expenditure) and prices using the most up-to-date inflation data as at March 2022.

If our final decision used the same inflation rates as in the draft decision, the final increase would be equivalent to a 24% increase in typical household bills, due to a decrease in the weighted average cost of capital.

² The 2025-26 prices we have set as part of this review, are not a baseline for the next review and determination period. Prices from 2026-27 would be based on our assessment of our efficient costs at that time.

Table 1 Drivers of price changes and typical bill impacts since our draft decisions

	Percentage point difference	Change in typical household bill from 2021-22
Draft Report		25.4%
Opening regulatory asset base (RAB) updated using latest June/June inflation forecast	+0.8	26.2%
Operating costs updated using latest June/June inflation forecast	+1.0	27.2%
Reduction in the weighted average cost of capital (WACC)	-1.5	25.7%
Prices updated using actual March/March inflation	+ 2.3	28.0%
Final Report		28.0%

Inflation updates have affected price and bill increases

Each time we have presented prices, we have used the most current inflation rates available at the time. This means we used different rates in the Issues Paper, Draft Report and now this Final Report. Table 2 shows the inflation rates we used and how they changed over the course of our review.

Table 2 Rates of inflation used across our review

	Issues Paper	Draft Report	Final Report
Rate of inflation for costs	2.5%	2.9%	4.2%
Rate of inflation for prices	2.5%	3.2%	5.1%

Inflation changed the value of CCC Water's proposal during our review

We applied the inflation rates in Table 2 to CCC Water's proposed prices in our various publications. This is to show an accurate comparison, and to show what CCC Water's proposed prices would have been to customers if we had accepted the proposal in full. Table 3 shows the differences inflation made to CCC Water's proposal.

Table 3 Increase in typical household bills under CCC Water's proposal (compared to current bills) across our review

	Issues Paper	Draft Report	Final Report
CCC Water's proposal	34% in 2022-23, then by inflation only for the next 3 years	35% in 2022-23, then by inflation only for the next 3 years	37% in 2022-23, then by inflation only for the next 3 years

Source: IPART, *Review of Central Coast Council water, Issues Paper* September 2021, p 3; IPART, *Review of Central Coast Council water prices – Summary Draft Report*, March 2022, p 3.