



Forbes Shire Council Water Pricing Policy 2005/2006 Information Sheet

A best practice pricing policy comprising an inclining block tariff has been developed and it is proposed that the full implementation will be phased in over a two (2) year period commencing from 2005/2006 financial year.

Background

In December 2002, the then Department of Land and Water Conservation (now the Department of Energy, Utilities and Sustainability – DEUS) issued Water Supply, Sewerage and Trade Waste Pricing Guidelines.

These guidelines comply with IPART pricing principles and also the cost reflective provisions of Section 539 of the Local Government Act 1993 in relation to setting charges for council services.

The best practice pricing principles detailed in the guidelines are a pre-requisite for eligibility for payment of a dividend from the water supply or sewerage business under S409(5) of the Local Government Act 1993.

Compliance with pricing principles is also an explicit consideration in application for special variations to general income under S.508(2).

The Department of Energy, Utilities and Sustainability in a recent circular describes best practice pricing as follow:

“Best practice pricing is fundamental to sound management of a water supply or sewerage business as it provides:

- *Fair pricing to equitably share the cost of service provision and remove significant cross subsidies;*
- *Appropriate pricing signals which enable customers to balance the benefits and costs of using the services, thereby promoting efficient use and reduced wastage;*
- *Appropriate cost recovery”.*

The Minister for Energy and Utilities, pursuant to Section 409(6) of the Local Government Act, has issued best practice guidelines to councils to assist in determining appropriate water pricing policies. The Minister for Local Government has concurred with these guidelines.

Pricing Structure

The pricing structure proposed comprises an access charge and a usage charge. The access charge is an annual charge as a levy on the rates notice. The usage charge will be an inclining block tariff. This structure is designed to encourage water conservation, as it results in consumers who use more water than is considered reasonable for essential use, being required to pay for that consumption at a higher rate.

The guidelines indicate that this threshold should not exceed 450 kilolitres. It has been considered that given Forbes' average water usage is 400 kilolitres this would form the first threshold.

The current practice of water meters being read and consumption being charged on a quarterly basis will continue. This ensures consumers are provided with regular usage information as well that it ties in with the quarterly instalment process, and assists with cash flow management.

Overview

The State Government has developed best practice guidelines for Council funding of water. These guidelines indicate that 25% of water charges should be made up of a fixed availability charge, with 75% of the charges related to the amount of water used.

Currently Council's water charges are split around 60% availability and 40% usage. Council proposes to move towards the best practice guidelines over a 2 year period, initially with a 40% availability, 60% usage charge in 2005/06 with the full 25% availability, 75% usage charge being implemented in 2006/07.

In addition council proposes to remove the free 100kl of water granted to every household for the maintenance of nature strips outside individual premises, as this does not comply with the best practice guidelines.

The adoption of these best practice guidelines will enable residents to be rewarded financially for efficient water usage, and will raise awareness of the realistic cost of supplying water to rural areas.

Further, where council wishes to access State Government funding in the future for major water supply projects, it is a requirement that Council implement these best practice guidelines.

Comparison of 2004/05 water charges to 2005/06 water charges

Current Pricing Policy Structure - Residential				Best Practice Pricing Phase in 2005/2006				
Annual Consumption kl	Access (20mm) \$	Usage (first 100kl \$0.00/kl next 500kl \$0.30/kl over 600kl \$0.60/kl)	Total \$	Annual Consumption Kl	Access (20mm) \$	Usage first 400kl \$0.61/kl >400kl \$0.92/kl	Total \$	
50	\$299.00	\$ -	\$299.00	50	\$186.00	\$30.50	\$216.50	-\$82.50
150	\$299.00	\$15.00	\$314.00	150	\$186.00	\$91.50	\$277.50	-\$36.50
250	\$299.00	\$45.00	\$344.00	250	\$186.00	\$152.50	\$338.50	-\$ 5.50
350	\$299.00	\$75.00	\$374.00	350	\$186.00	\$213.50	\$399.50	\$25.50
400	\$299.00	\$90.00	\$389.00	400	\$186.00	\$244.00	\$430.00	\$41.00
450	\$299.00	\$105.00	\$404.00	450	\$186.00	\$290.00	\$476.00	\$72.00
550	\$299.00	\$135.00	\$434.00	550	\$186.00	\$382.00	\$568.00	\$134.00
650	\$299.00	\$180.00	\$479.00	650	\$186.00	\$474.00	\$660.00	\$181.00
750	\$299.00	\$ 240.00	\$539.00	750	\$186.00	\$566.00	\$752.00	\$213.00
850	\$299.00	\$300.00	\$599.00	850	\$186.00	\$658.00	\$844.00	\$245.00
950	\$299.00	\$360.00	\$659.00	950	\$186.00	\$750.00	\$936.00	\$277.00
1500	\$299.00	\$690.00	\$989.00	1500	\$186.00	\$1,256.00	\$1,442.00	\$453.00

How does Forbes compare?

Council	2004/2005 charges		2005/2006 charges		Average Bill Based
	availability	per kl charge	availability	per kl charge	on 400kl Usage
Forbes	\$298.00	100-600 = .30 600+ = .60	\$186.00	0-400 = 0.61 400+ = 0.92	\$430.00
Orange	\$280.00	\$0.55	\$130.00	up to 450kl = 1.66/kl over 450kl = 2.49/kl	\$794.00
Cowra	\$330.00	0-500 = \$0.28.3 501-1000 = \$0.56.7 1001+ = \$1.08.2	\$347.00	0-500 = \$0.36 501-1000 = \$0.71 1001+ = \$1.35	\$491.00
Lithgow	\$260.00	0-500 = 0.51 501-2000 = 1.32 2001-5000 = 1.50 5001 + = 2.02	res 20m = 200 bus 20m = 450 bus 50m = 600 bus 100m = 750 bus 200m = 1500	0-500 = .85 501+ = 1.60	\$540.00
Mudgee	res \$265 bus \$440	0.96	res \$277 bus \$464	1.00/kl	\$677.00
Parkes	350	0-365 = .30 366+ = 1.14	\$295.00	0-365 = 0.60 366+ = 1.60	\$520