



Coorong District Council Recycled Water Services

2017-2018 Pricing Policy Statement

Introduction

The Coorong District Council is a licensed intermediate sized retailer supplying recycled water to residential and non-residential customers within the Coorong District.

This Pricing Policy Statement sets out how the Coorong Council has determined its costs and developed prices for its regulated water retail service.

Background

Economic regulation of retailers of water and sewage services in South Australia was introduced via the *Water Industry Act 2012* (SA) to provide mechanisms for the transparent setting of prices within the water industry and to facilitate pricing structures that reflect the true value of services provided by participants in this industry.

The *Water Industry Act 2012* (SA) requires the Essential Services Commission of South Australia (ESCOSA) to adopt or apply the National Water Initiative (NWI) pricing principles when making a price determination for retail services. The NWI principles relate to cost recovery, pricing and transparency for water services.

All licensed entities are required to issue a Pricing Policy Statement that demonstrates how the National Water Initiative (NWI) pricing principles have been applied in determining the costs and developing prices for its regulated water retail service.

Description of Regulated Retail Services – Recycled Water Services

The Coorong District Council provides four Community Wastewater Management Schemes (CWMS) in the townships of Tailem Bend, Meningie, Tintinara & Wellington East and two non potable water supply schemes in the township of Wellington East & Peake.

Water is supplied to residential and non-residential customers, including sporting and community groups. Water is also supplied to Council reserves, sporting fields and parks and gardens providing improved amenities for the broader community.

Coorong District Council Pricing Policy

Council's pricing policy is designed to ultimately achieve full cost recovery and return on capital investment. Within this context, the most important considerations in setting prices relate to the markets willingness to pay, the price of substitutes and pricing certainty for consumers.

Council plans to achieve full cost recovery and return on capital investment through an increase in connections and pricing in line with the Local Government Association's (LGA) CWMS Accounting Principles, The Costing and Pricing of CWMS.

Price Movements

Prices increased in the 2017/18 year following an analysis of the CWMS & Water Supply income and expenditure over a 10 year period. The review was undertaken in consideration to the LGA's "CWMS Accounting Principles - The Costing and Pricing of CWMS" & "Costing Principles for Local Government" document.

A copy of the pricing schedule for the 2017/18 year, including a comparison with those of the 2016/17 year indicating the respective price movements is provided in Appendix 1.

Principles set out in the Price Determination for Minor/Intermediate Retailers

1: Flexible Regulation *Light handed and flexible regulation (including use of pricing principles) is preferable, as it is generally more cost-efficient than formal regulation. However, formal regulation (e.g. establishing maximum prices and revenue caps to address problems arising from market power) should be employed where it will improve economic efficiency.*

2: Cost Allocation *When allocating cost, a beneficiary pays approach, typically including direct user pays contributions, should be the starting point, with specific costs shared across beneficiaries based on the scheme's drivers (and other characteristics of the recycled water/storm water reuse scheme)*

3: Water Usage Charge *Prices to contain a water usage (ie. volumetric) charge.*

4: Substitutes *Regard to the price of substitutes (potable water and raw water) may be necessary when setting the upper bound of a price band.*

5: Differential Pricing *Pricing structures should be able to reflect differentiation in the quality or reliability of water supply*

6: Integrated Water Resource Planning *Where appropriate, pricing should reflect the role of recycled water as part of an integrated water resource planning (IWRP) system.*

7: Cost Recovery *Prices should recover efficient, full direct costs — with system-wide incremental costs (adjusted for avoided costs and externalities) as the lower limit, and the lesser of stand-alone costs and willingness to pay (WTP) as the upper limit. Any full cost recovery gap should be recovered with reference to all beneficiaries of the avoided costs and externalities. Subsidies and Community Service Obligation (CSO) payments should be reviewed periodically and, where appropriate, reduced over time. Direct costs include any joint/common costs that a scheme imposes, as well as separable capital, operating and administrative costs. This definition of direct costs does not include externalities and avoided costs.*

8: Transparency *Prices should be transparent, understandable to users and published to assist efficient choices*

9: Gradual Approach *Prices should be appropriate for adopting a strategy of 'gradualism' to allow consumer education and time for the community to adapt.*



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Appendix 1

Coorong District Council 2017-2018 Pricing Schedule Recycled Water Services

Sewerage & Trade Waste Retail Services	Unit of measurement	2017-18 \$/unit	2016-17 \$/unit	Percentage Price Change
Community Wastewater Management Scheme - Tailem Bend	<i>Occupied Connection</i>	605	585	3.42%
Community Wastewater Management Scheme - Tintinara	<i>Occupied Connection</i>	605	585	3.42%
Community Wastewater Management Scheme - Meningie	<i>Occupied Connection</i>	605	585	3.42%
Community Wastewater Management Scheme - Wellington East	<i>Occupied Connection</i>	605	585	3.42%
Community Wastewater Management Scheme - Tailem Bend	<i>Vacant Connection</i>	605	585	3.42%
Community Wastewater Management Scheme - Tintinara	<i>Vacant Connection</i>	605	585	3.42%
Community Wastewater Management Scheme - Meningie	<i>Vacant Connection</i>	605	585	3.42%
Community Wastewater Management Scheme - Wellington East	<i>Vacant Connection</i>	605	585	3.42%

Non-Drinking Water Retail Services	Unit of measurement	2017-18 \$/unit	2016-17 \$/unit	Percentage Price Change
Non Potable Water Supply - Wellington East	<i>Connection</i>	315	305	3.28%
Non Potable Water Supply - Wellington East Excess Water Above 125kl	<i>Kilolitre Usage</i>	1.5	1.5	0.00%
Non Potable Water Supply - Peake	<i>Connection</i>	315	305	3.28%
Non Potable Water Supply - Peake Excess Water Above 125kl	<i>Kilolitre Usage</i>	1.5	1.5	0.00%