

## **Pricing Principles for Wastewater and Non-Drinking Water Services**

### **2023/24 Pricing Policy Statement**

#### **Introduction**

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 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.

The full cost of the service equates to a 'whole of life' approach to determine costs and includes:

- Operating and maintenance costs
- Capital renewal and upgrade
- Cost of capital
- Cost of risk

The following guidelines will be utilised by Council to apply pricing principles for retail wastewater and non-drinking water services:

- Section 155 of the Local Government Act 1999
- Pricing Principles for Recycled Water (ESCOSA, 2010)
- National Water Initiative Pricing Principles (2004)
- Costing Principles for Local Government (Local Government Association, 2013)
- The Costing and Pricing of CWMS (Local Government Association, 2015)

#### **Description of Regulated Retail Services – Recycled Water Services**

Council provides four Community Wastewater Management Schemes (CWMS) in the townships of Meningie, Tailm Bend, Tintinara and Wellington East and two non-drinking water supply schemes in the townships of Peake and Wellington East.

Non-drinking 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.

### Pricing

The pricing schedule for the 2023/24 financial year (including a comparison with those of the 2022/23 year) is provided in [Appendix 1](#).

Council adopted findings of a rating review in 2021, which has been used as a basis to set the service charges for 2023/24. Those service charges for the provision of CWMS are set at cost recovery levels and in accordance with an external review of the financial structure of the CWMS (undertaken by Galpins in 2020/21).

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

- **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.
- **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).
- **Water Usage Charge:** Prices to contain a water usage (ie. volumetric) charge based on a user-pays principle per kilolitre of no excess consumption charges.
- **Substitutes:** Regard to the price of substitutes (potable water and raw water) may be necessary when setting the upper bound of a price band.
- **Differential Pricing:** Pricing structures should be able to reflect differentiation in the quality or reliability of water supply.
- **Integrated Water Resource Planning:** Where appropriate, pricing should reflect the role of recycled water as part of an integrated water resource planning (IWRP) system.
- **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.
- **Transparency:** Prices should be transparent, understandable to users and published to assist efficient choices.
- **Gradual Approach:** Prices should be appropriate for adopting a strategy of 'gradualism' to allow consumer education and time for the community to adapt.

## Appendix 1

### 2023/24 Pricing Schedule

#### CWMS and Non-Drinking Water Services

	Unit of measurement	2023/24 (\$/unit)	2022/23 (\$/unit)
<b>Sewerage &amp; Trade Waste – Retail Services</b>			
CWMS – all locations*	Occupied connection	\$700.00	\$643.00
CWMS – all locations*	Vacant connection	\$670.00	\$615.00
<b>Non-Drinking Water – Retail Services</b>			
Non-drinking water supply – Wellington East	Connection	\$235.00	\$235.00
Non-drinking water supply – Wellington East	Kilolitre usage	\$ 0.60	\$ 0.60
Non-drinking water supply – Peake	Connection	\$235.00	\$235.00
Non-drinking water supply – Peake	Kilolitre usage	\$ 0.60	\$ 0.60
Water meter – application fee	Fee	\$ 30.60	\$ 30.60
New water meter service	Fee	At cost	At cost
Existing water connection meter replacement/installation	Fee	\$285.60	\$285.60

\* Meningie, Tailem Bend, Tintinara and Wellington East