

City of Charles Sturt

2023/24 Recycled Water Pricing Policy Statement

Introduction

The City of Charles Sturt operates as a licenced Minor Water Retailer, supplying alternative water to residential and non-residential customers within the Council's local government area.

This Recycled Water Pricing Statement outlines the methodology used by Council to set and develop pricing for its regulated water retail service.

Background

In 2013 the *Water Industry Act (SA) 2012* and Water Retail Code introduced economic regulation to the water industry in South Australia 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 that industry.

The Essential Services Commission of South Australia issued the Price Determination for Minor and Intermediate Water Retailers which required Council, as a licenced minor water retailer, to consider each of the nine National Water Initiative pricing principals when determining and setting prices for regulated alternative water services and to publish these elements in a Pricing Policy Statement.

Description of Regulated Retails Services – Recycled Water Services

The City of Charles Sturt's recycled water is treated to national and state-based standards to ensure it is 'fit for a specific purpose' such as irrigation, garden watering or toilet flushing. This includes recycled water and some stormwater services.

Current uses of recycled water services are:

1. Dual reticulation – includes garden watering, car washing, and toilet flushing for residential customers and use in cooling towers, industrial processes and toilet flushing for non-residential customers.
2. Private irrigation – includes horticulture, viticulture, and private open space.
3. Irrigation for public open space - includes parklands and sporting fields.

Pricing Policy

The City of Charles Sturt's pricing policy is designed to ultimately achieve full cost recovery and long-term sustainability for our recycled water network. When setting prices Council will also consider the market's willingness to pay, pricing of other alternative water sources, and compliance with service standards and regulatory requirements.



Pricing Changes – 2022/23 to 2023/24

The City of Charles Sturt takes its commitment to deliver services in a financially sustainable way seriously.

Prior to January 2022, Council was providing an interim water supply to residential recycled water customers in St Clair. During the interim period, Council provided customers with a subsidised rate that was based on discounted SA Water rates and was reduced in response to customer expectations. The residential non-drinking water usage charges have increased by 15% in 2023/24. This increase was required to ensure the ongoing sustainability of recycled water services within the City of Charles Sturt and to progress toward achieving cost recovery.

In 2023/24, Council has reduced the price of recycled water for irrigation by 11% to equalise the cost between different water treatment levels and to reflect the cost of producing the water more accurately.

Council's annual supply charge has remained the same since 2016. This charge has been increased by 7% in 2023/24 which is based on CPI.

The residential connection fee was increased from \$500 to \$900 in 2023/24 to reflect the price increase from Council's plumbing contractor. Our plumbing contract pricing was set up to last the duration of the development in St Clair. Since the development progressed much slower than anticipated as well as increases in the cost of materials, labour and technical requirements, our plumbers were forced to re-negotiate the contract and pass on these costs. Council funded these additional costs during 2022/23 but was not able to sustain this loss any longer.

These prices are endorsed by Council annually and published in Council's Fees and Charges Register. The Fees and Charges Register can be found on Council's website and a summary including a comparison with the previous year, is provided in Appendix 1.

National Water Initiative Pricing principles in relation to 2023/24 recycled water pricing statement

1. Flexible regulation

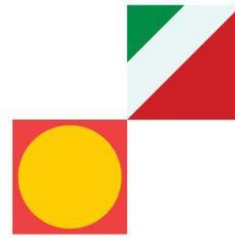
Current regulatory framework and economic regulatory statements issued by ESCOSA provide a light handed and flexible regulatory approach to Minor and Intermediate Water Retailers during this regulatory period.

2. Cost allocation

The City of Charles Sturt uses financial analysis of the costs associated with the supply of the alternative water service across the customer base to ensure the economic viability of the alternative recycled water service based on pricing that comprises both a usage charge and access charge that provides for sustainability of the service and embraces a user pays approach.

3. Water Usage Charge

All customer water usage is measured and charged using a volumetric meter reading.



4. Substitutes

The objective of the sale of recycled water is to achieve full cost recovery from direct user pay contributions. The price of alternate water products may be considered when reviewing charges for the sale of recycled water.

5. Differential Pricing

Charles Sturt supplies alternative water for two different purposes; fit for purpose recycled water for dual reticulation into homes and buildings and alternative water for irrigation.

Both water pricing methods take into consideration the different treatment requirements, delivery infrastructure, quality, and reliability of supply.

6. Integrated water resource planning

The role that recycled water plays within the water resources of the City of Charles Sturt has been considered with setting charges for both types of recycled water.

The City of Charles Sturt's Water Infrastructure Asset Management Plan takes an integrated approach and aims to protect and secure our water resources by incorporating water sensitive urban design into development areas and looks for opportunities to utilise alternative water and improve water management.

7. Cost recovery

Prices should recover efficient, full direct costs with system-wide incremental costs as the lower limit and the lesser of stand-alone costs and willingness to pay as the upper limit.

Cost recovery is applied to the sale of recycled water where possible. This is the first year that Council's recycled water system has been fully functioning and operating and we are aiming to achieve full cost recovery and return on capital through incremental pricing increases and growth in sales volume.

8. Transparency

The City of Charles Sturt, as a regulated water retailer and local government entity, ensures compliance with pricing transparency in various ways:

- The proposed fee structures are reviewed and endorsed by Council prior to lodgement for approval with the Essential Services Commission.
- Water service and usage charges are clearly identified within Council's published fees and charges register which is displayed on Council's website.
- By utilising approved, established procurement policies for direct user pays infrastructure augmentations and connections.

9. Gradual approach

Charles Sturt has adopted a gradual approach to reaching full cost recovery on water usage charges.

Prior to 2023/24, Council was providing a subsidy to residential customers while the final commissioning of the dual water network was undertaken. Now that the network is fully functional, alternative water usage charges will be incrementally increased to a full cost recovery situation allowing consumers to make informed decisions based on their usage patterns of alternative water.



Appendix 1

City of Charles Sturt Recycled Water Pricing Schedule

Non-drinking water retail services	Unit	2022-23 \$	2023-24 \$	Percentage Price Change
GENERAL FEES				
Connection Fee - single residential connection (no GST)		500.00	900.00	80%
Community Plan Connection Fee		Cost Recovery + 10%	Cost Recovery + 10%	-
Cross Connection Audit Inspections		220.00	200.00	-9%
SERVICE FEES & USAGE CHARGES				
Annual Supply Charge as required by legislation	per annum	51.50	55.00	7%
Landscape Irrigation Water Use – Plan A on Demand	per kL	2.69	2.39	-11%
Landscape Irrigation Water Use – Plan B between 7am and 7pm	per kL	NA	2.09	NA
Residential Non-drinking Water Use	per kL	1.99	2.29	15%
CHARGES REFERENCED UNDER WATER SERVICE CHARTER				
Special Meter Reading		35.00	35.00	0%
Meter Test		145.00	145.00	0%
Restriction Action Fee (no GST)		Cost Recovery	Cost Recovery	-
Removal of Restriction Action (no GST)		Cost Recovery	Cost Recovery	-
Disconnection Fee (+GST)		Cost Recovery + 10%	Cost Recovery + 10%	-
Reconnection Fee		Cost Recovery + 10%	Cost Recovery + 10%	-
Damage to Council Infrastructure		Cost Recovery + 10%	Cost Recovery + 10%	-
Relocation of the Council's Infrastructure		Cost Recovery + 10%	Cost Recovery + 10%	-
Dishonoured and overdue payments		Cost Recovery	Cost Recovery	-